R4105-5 J2 A

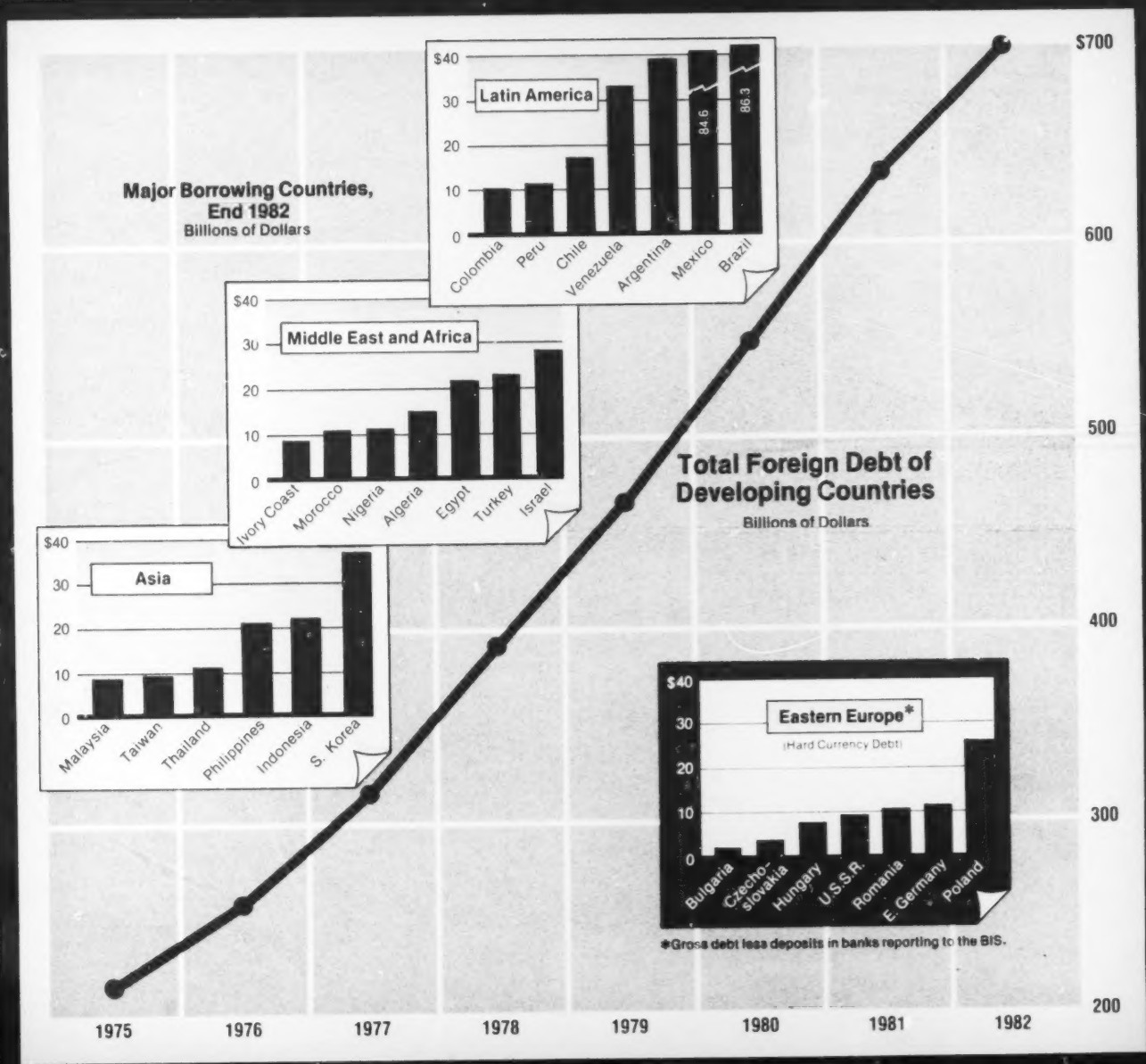
The Conference Board

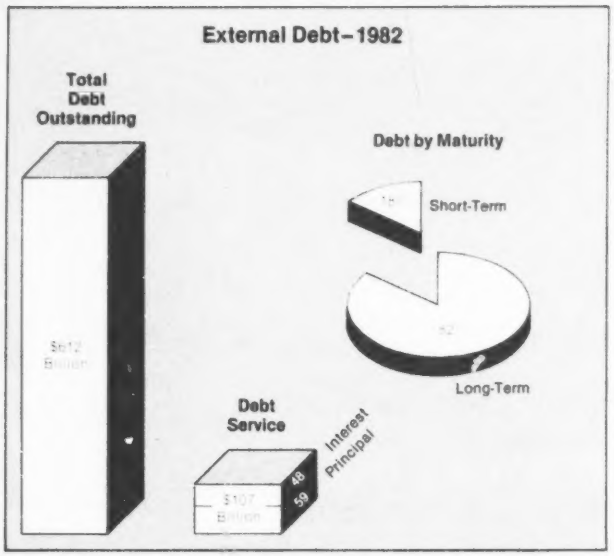
International Debt and Financing

Economic Road Maps
Nos. 1960-1961

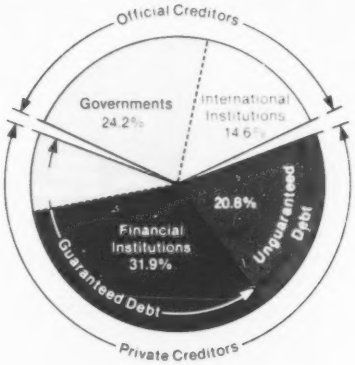
October, 1983

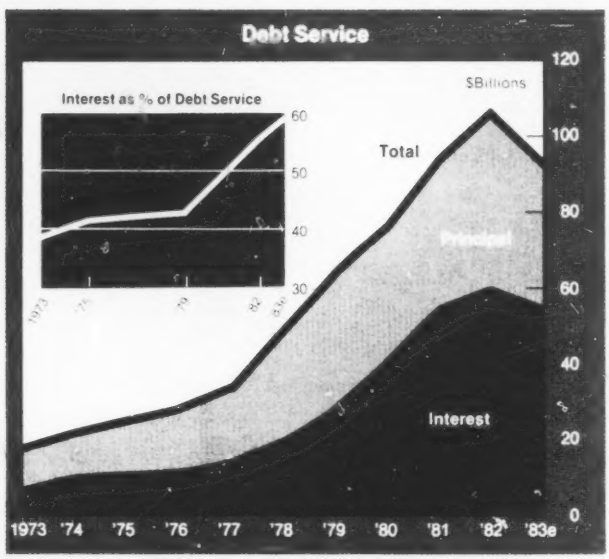
Total foreign debt of the less-developed countries (LDC's) more than tripled, from about $200 billion in 1975 to over $700 billion in 1982. At the end of 1982, countries in Latin America owed over 40 percent of this debt, the Asian countries accounted for approximately 25 percent, and the African nations and the developing countries of Southern Europe owed 15 percent each. A mere half-dozen less-developed countries owed almost half of all the debt. In addition to the $700 billion, an estimated $70 billion in hard currencies was owed by East European countries to Western creditors.





Long-Term Debt by Type of Creditor, 1982

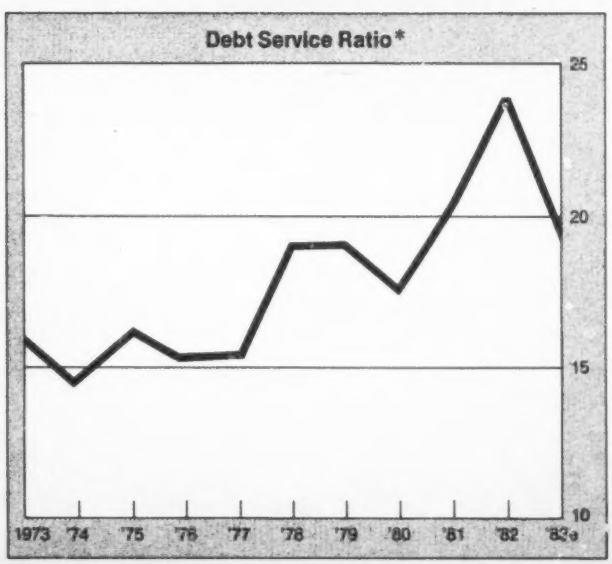




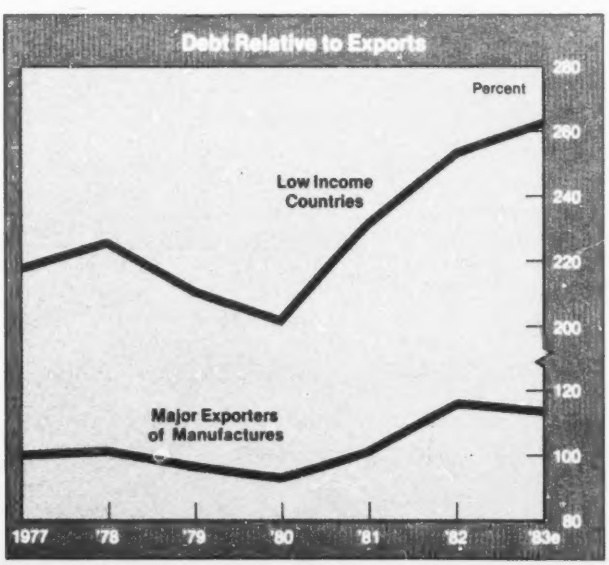
The prolonged recession of the early 1980's, which significantly cut import demand in the industrial countries, made it harder for developing nations to sell their products. Another LDC problem was created by the sharp fall in commodity prices as commodity exports are a crucial source of their income. Simultaneously, the LDC import bill ballooned because of the more than 100 percent rise of oil prices in 1979 to 1980. The sharp run-up in interest rates during the recession compounded the LDC's problem of debt repayment, as did the appreciation of the U.S. dollar (much of LDC debt is denominated in dollars).

Given these developments, the current-account balances of the LDC's deteriorated from an average annual deficit of around $40 billion in the mid and late 1970's to an average annual deficit of $95 billion for the 1980 to 1982 period. The developing countries, therefore, had to go more deeply into debt to finance their vastly expanded current-account deficits.

Some improvements have taken place recently: Growth in the industrial countries has picked up; oil prices have steadied; commodity prices have strength-



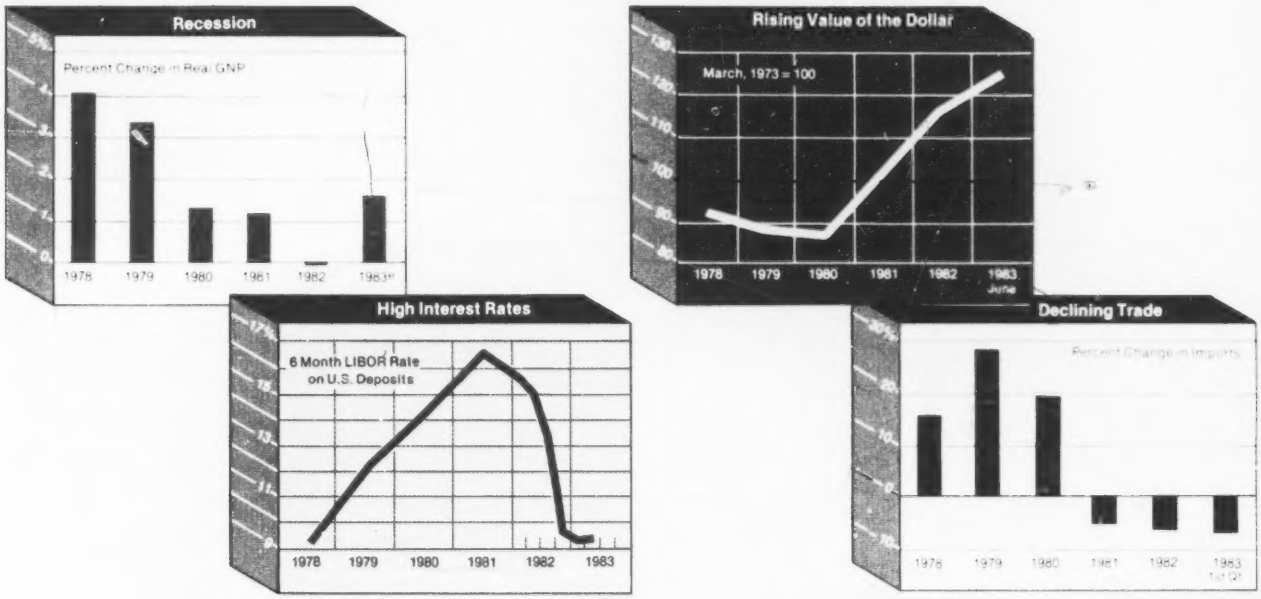
*Payments as % of exports of goods and services.



Short term debt: Debt with an original maturity of under one year, except for bank debt which includes all debt maturing in under one year irrespective of original maturity.

ping Countries

Developments in Industrial Countries . . .

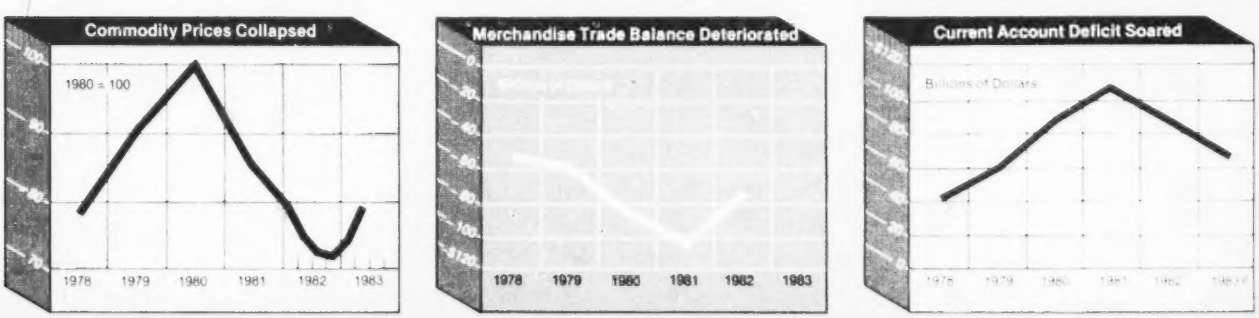


ened; and interest rates have fallen. Additionally, many of the debtor countries have initiated stringent domestic economic programs to reduce their current-account deficits and international borrowing needs.

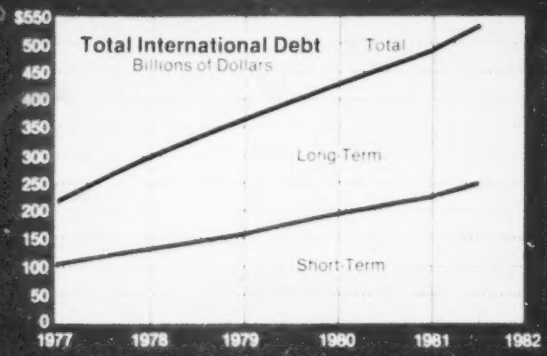
Until about ten years ago, developing countries had very little access to international financial markets. In the early 1970's, about two-thirds of their debt was owed to official creditors—governments and international organizations. Beginning in 1974-1975, after the first oil price shock quadrupled the LDC current-account deficit, banks began to play an increasingly important role in recycling OPEC funds to the developing countries.

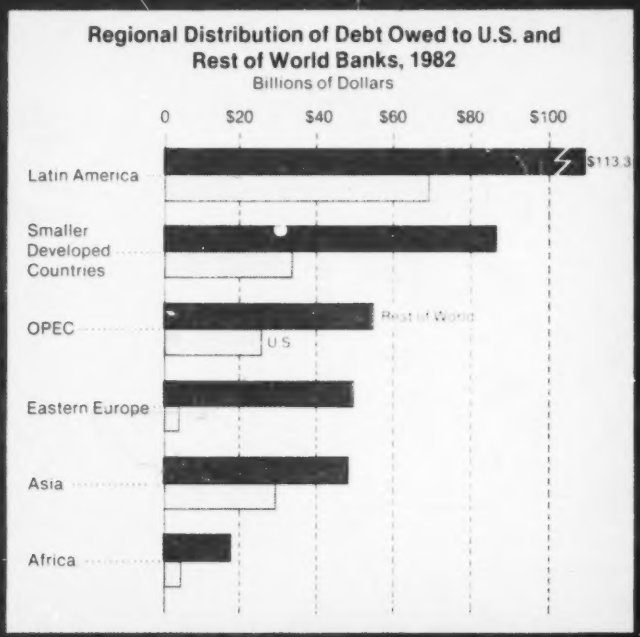
There are important differences between loans made by the banks and those extended by governments and international agencies. Bank lending is at market-determined interest rates, while official agencies often make loans at subsidized rates that are lower. Moreover, the interest rates on bank credits, unlike those on official credits, are floating rates that change periodically. Thus, countries with a large component of floating-rate debt have been subject to large variations in their interest payments, given the volatility of rates in recent years. Bank loans are granted for a shorter period (rarely over ten years) than are loans provided by official lending agencies, such as the World Bank, where a loan with a fifteen-to-twenty-year term is not uncommon. With a bank loan, the recipient can extend the use of the funds at maturity only if the creditor agrees to roll over the loan. Thus, countries that have a very large percentage of their debt in maturities under one year are particularly vulnerable to a liquidity crisis if the loans are not renewed. Indeed, one of the difficulties encountered by debtor countries during 1982 and 1983 has been just this unwillingness of some banks to roll over maturing debt.

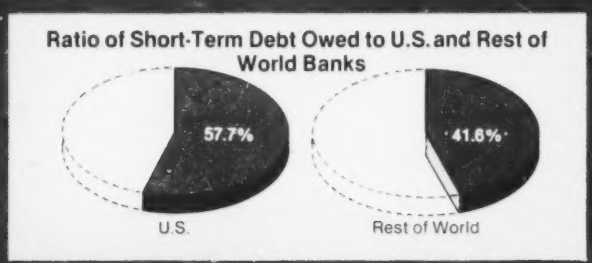
· · · and in Borrowing Countries



International Bank Lending

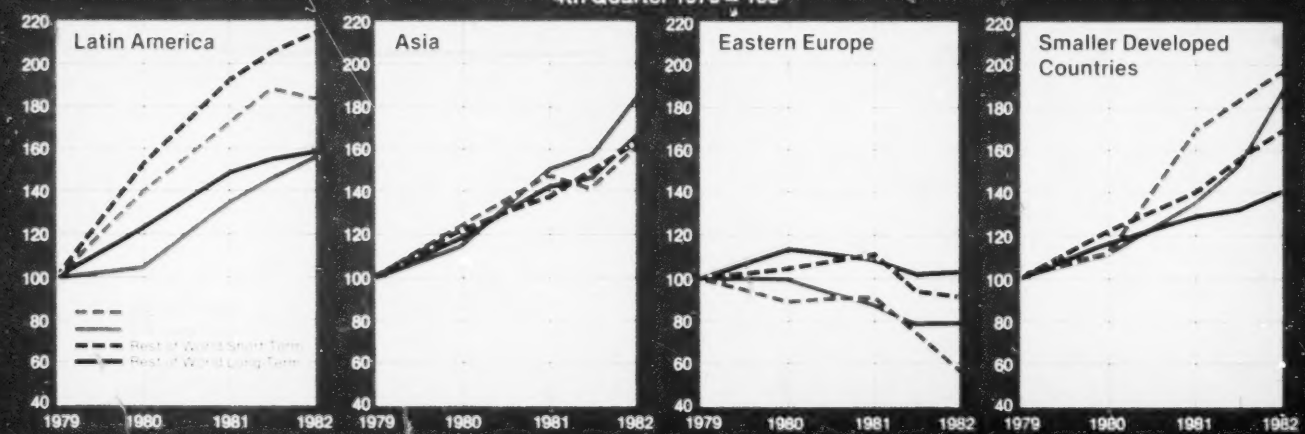


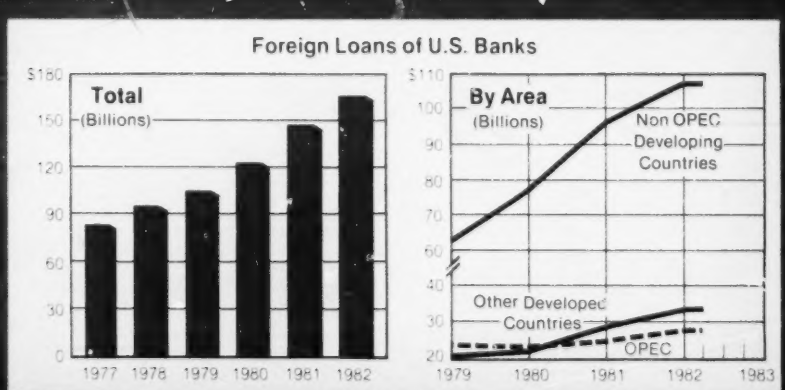




Change in Lending by U.S. and Rest of World Banks

4th Quarter 1979 = 100





Until recently, debt-servicing problems have been confined to a few isolated cases. During 1982 and 1983, however, more than 25 countries around the world were in arrears, and in many cases, rescue programs had to be put together.

Eva Culen
Laurie Landy

Sources: International Monetary Fund; Morgan Guaranty Trust Co.; The Federal Reserve Board; The Conference Board.

ECONOMIC ROAD MAPS

Eva Culen, Editor — Chuck N. Tow, Chief Chartist

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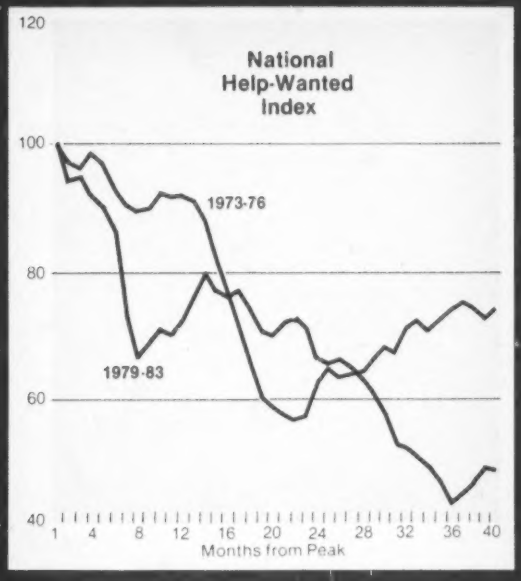
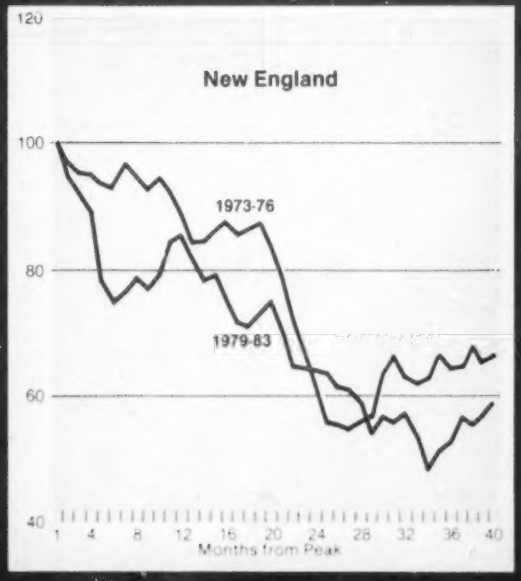
The Conference Board

Help-wanted Advertising in the Business Cycle

Economic Road Maps
No. 1962-1963
November, 1983

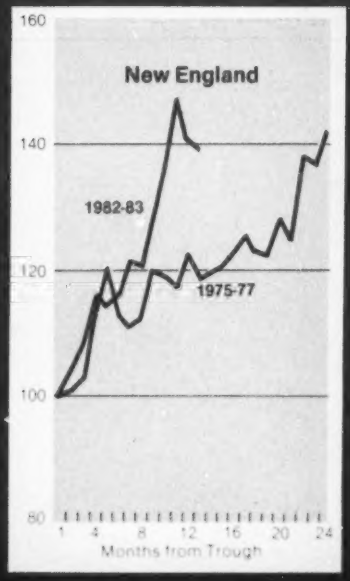
The unemployment data generated by the Bureau of Labor Statistics are attempts to measure the *demand* for jobs. However, there are few data available to quantify the *supply* of jobs. One set of data that serves that function is The Conference Board's series on help-wanted ads in major metropolitan areas across the country. Not every job is advertised in a newspaper's classified section, nor is every opening filled through a want ad. Nevertheless, advertising is an important step in the hiring process. Therefore, help-wanted ad volume is a barometer of business plans for the production of goods and services. Specifically, as new orders expand, businesses generally step up advertising to recruit job applicants.

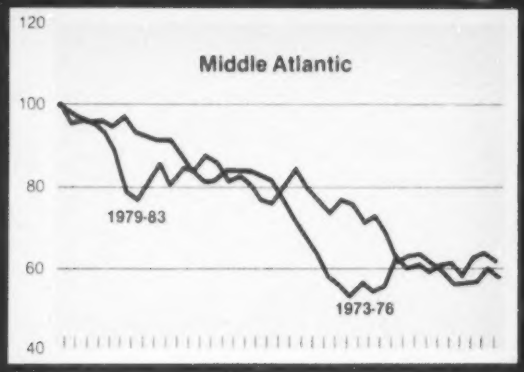


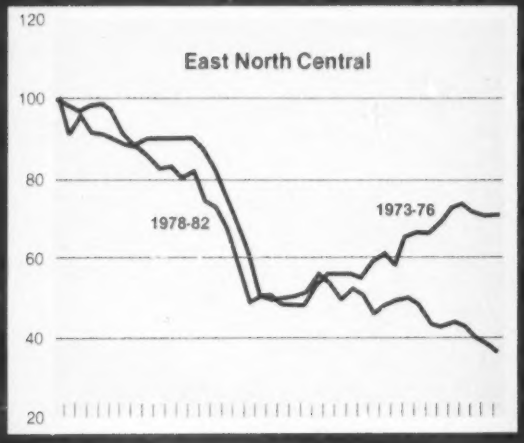


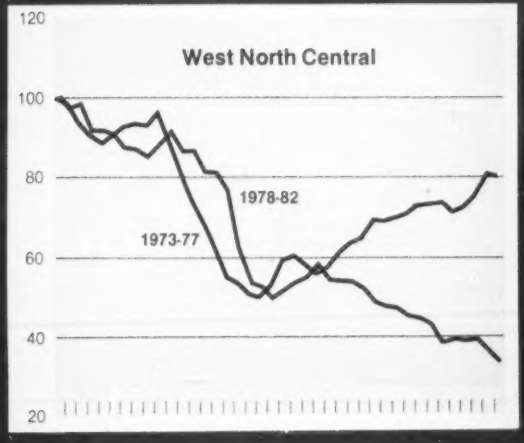
It is a little more than a year since the economy began recovering from the back-to-back recessions of the early 1980's. The decline in help-wanted advertising volume was moderate in the relatively mild recessions of 1960-1961 and 1969-1970. Both the overall recessions and the drop in want-ad volume were more pronounced in the 1953-1954 and the 1957-1958 episodes. The ad index fell off very sharply in the steep recession of 1974-1975. These earlier experiences of the business cycle's impact on the labor market differ substantially from the latest turn of events. The 1980 and 1981-1982 recessions were not unusually severe, in terms of their depth, but the impact on labor-market activity exceeded anything on record over the past three decades. Help-wanted advertising volume peaked in October, 1979, and, with the exception of a few months following the mid-1980 end of the first recession, declined continuously through September, 1982. This was the steepest and longest decline, by far, in job advertising volume since 1951—the earliest date for which data exist.

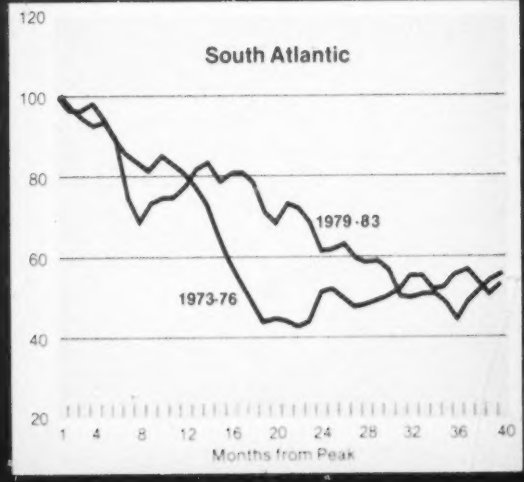
At least three principal factors can be identified as contributing to this unusually severe downturn in labor-market activity. First, many companies now believe they were overstaffed in 1979. Typically, as the economy approaches a cyclical peak, some firms overstaff. Business conditions seem to be favorable; increased order flow is anticipated; and tight labor-market conditions make it somewhat difficult to attract quality job applicants. The result is









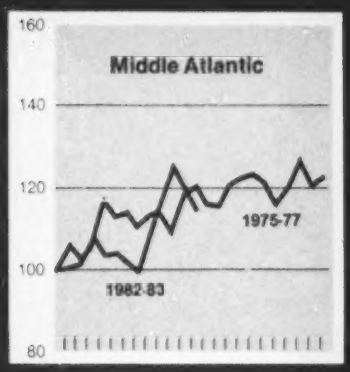


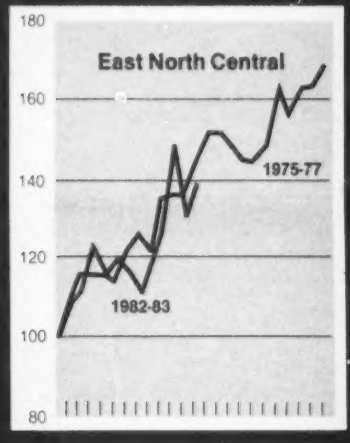
some hoarding of labor. This condition seems, in retrospect, to have been a little more pronounced in 1979 than at some earlier business-cycle peaks.

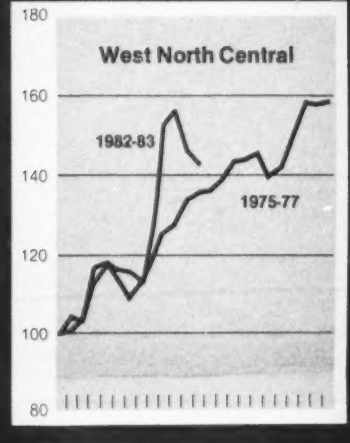
The second factor is the influence of long-term secular trends. Coming into the 1980's, a number of manufacturing plants were only marginally profitable, serving markets that were either mature and slow growing, or well supplied with product from foreign competitors. The recession precipitated decisions by some firms to reallocate resources away from their traditional base of operations in order to earn better returns on investment. The result was the permanent shutdown of some plants in "smoke-stack" industries such as auto assembly, tires and steel.

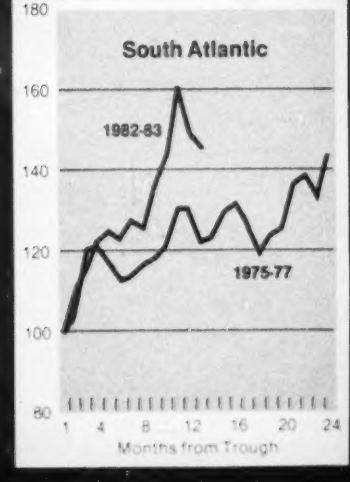
The third factor has its roots in the accelerating inflation of the 1970's, when some firms took on large amounts of debt. In the course of the back-to-back recessions, firms set about paring cost to the bare minimum. Since labor cost accounts for two-thirds to three-fourths of operating cost in most industries, staffing levels were reduced, often drastically. As a result, employment levels turned from overstaffing at the peak of the cycle to understaffing at the trough.

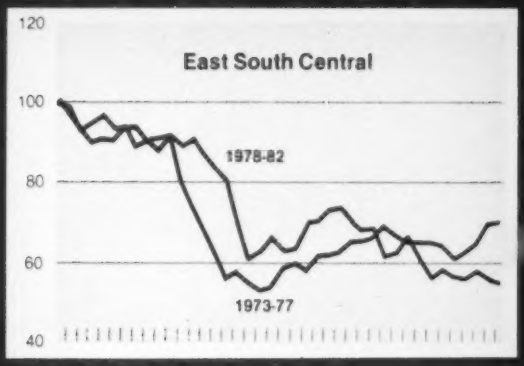
The accompaying charts show the national and regional help-wanted indexes during the 1979-1982 decline and in the recovery which began in late 1982. The downturn in 1974-1975 is the only episode that even approaches the latest experience in terms of depth and duration. All of these data have been rebased to their respective peaks and troughs in order to show the extent of decline and recovery. Nationally, help-wanted ad volume fell to just over 40% of peak volume in the 36-month period from October, 1979, to September, 1982. That far exceeds a drop to almost 60% of peak volume over a 22-month period from July, 1973, to April, 1975. The current recovery in job advertising, however, does not differ sharply from the experience in the period 1975-1977. That further suggests that some special factors were at play that deepened and lengthened the

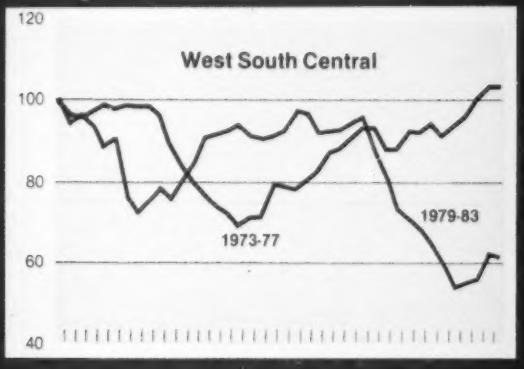


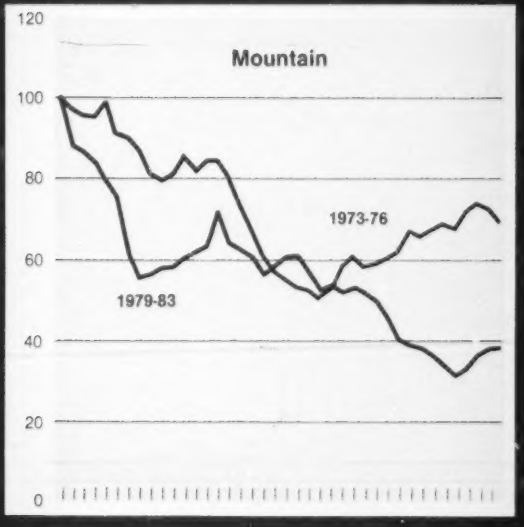


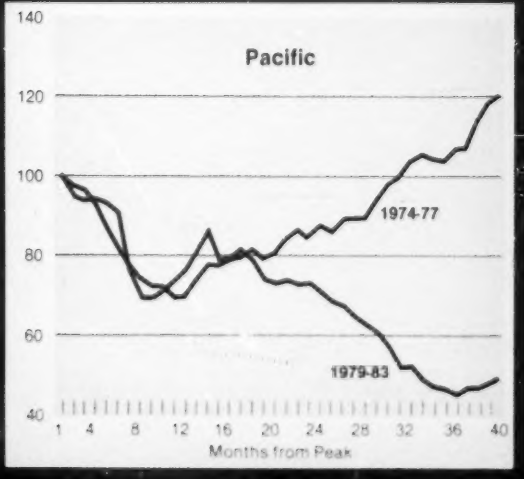












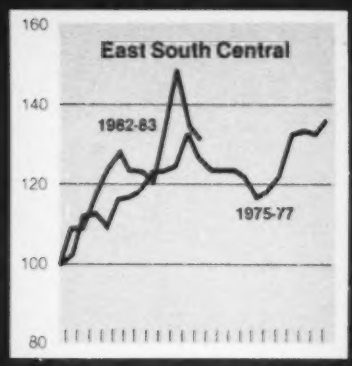
downturn in labor-market activity in the latest turn of the business cycle.

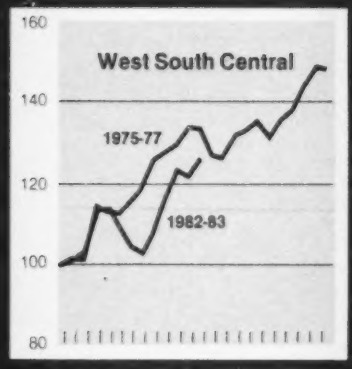
The decline in job advertising was extensive in all nine regions of the country. In six of these regions, newspapers saw their classified ad sections fall to between 44% and 60% of peak help-wanted levels. Job advertising fell by 69% in newspapers located in Mountain states. The Midwestern states, however, were most devastated by the contraction of the labor market. Ad levels fell by 72% in the East and West North Central regions. Newspapers in Detroit, St. Louis, Milwaukee and a few other metropolitan areas saw ads dwindle to a little over 20% of peak volume. Many of these centers have heavy concentrations of older manufacturing facilities, which were particularly vulnerable to partial or total and permanent shutdowns.

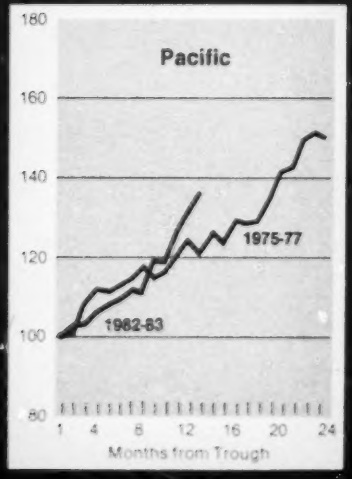
Want-ad volume has increased by between 30% to 40% in six of the nine regions since the end of the recession. Recovery has been a little faster in the Mountain region. On the other hand, it has been slower in the West South Central region, probably reflecting a troubled petroleum industry and problems along the Mexican border, which are associated with that country's economic difficulties. Ad volume is only about 15% higher now than at the trough in the Middle Atlantic region. As the charts show, that region typically declines more slowly, and to a somewhat lesser extent, than other parts of the country. That also holds with regard to recovery. Not all regions decline in the same month; some begin to show falling ad volume several months before it spreads to other parts of the country. The same is usually true during the upswing. Interestingly, while declines set in at various times in different regions, all nine regions began to regain ad volume in October, 1982. That degree of simultaneity is unusual. In each case, the indexes are charted from their individual peak and trough dates, even though the dates are not the same for all nine regions.

Ken Goldstein

Sources: Bureau of Labor Statistics; The Conference Board.





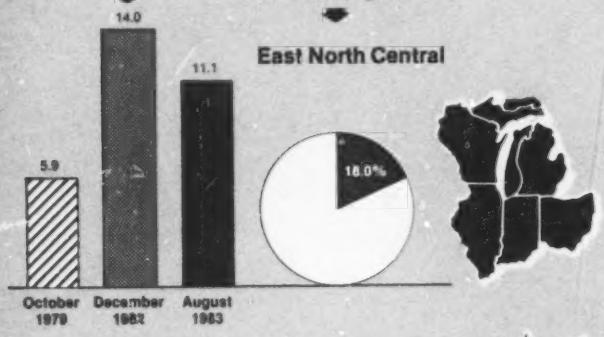


The Rise & Fall in Unemployment over The Business Cycle

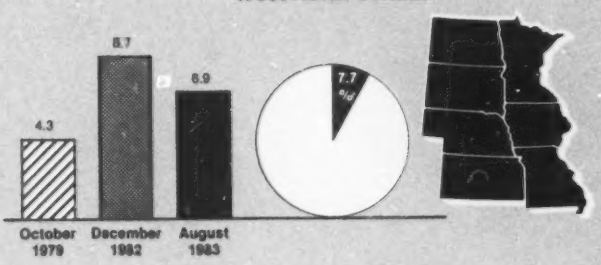
Unemployment Rate

Portion of National Labor Force in Region

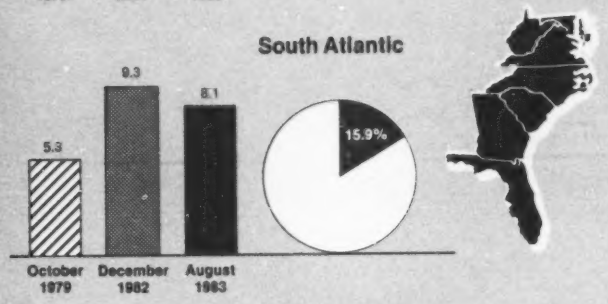
East North Central



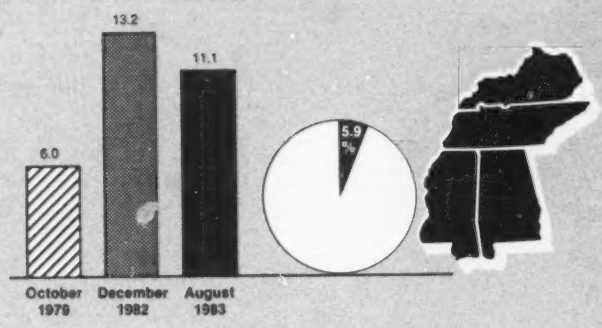
West North Central



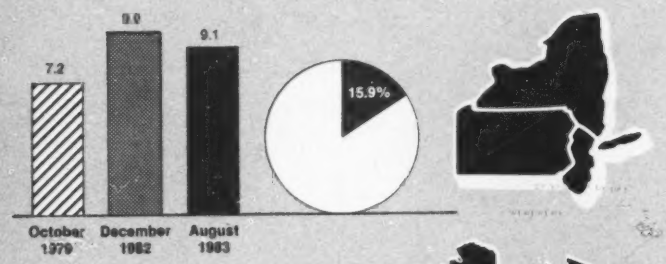
South Atlantic



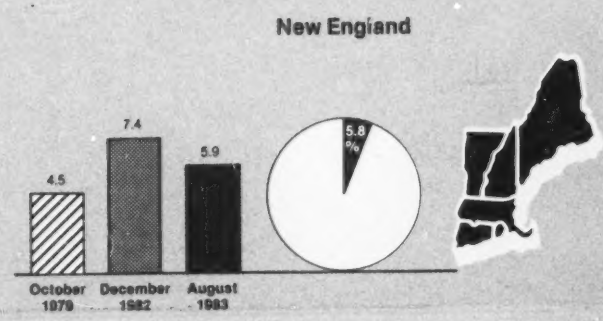
East South Central



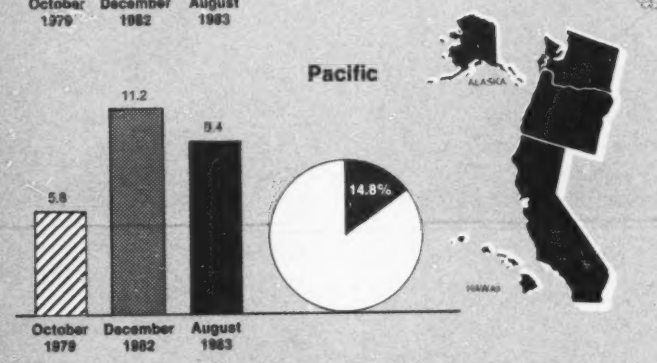
Middle Atlantic



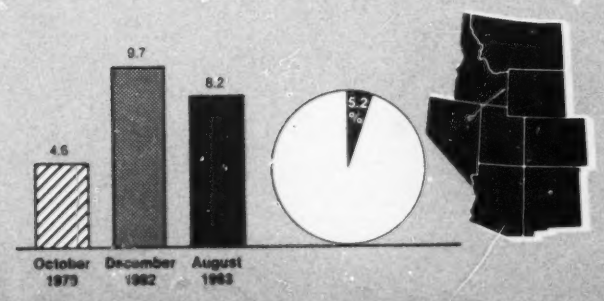
New England



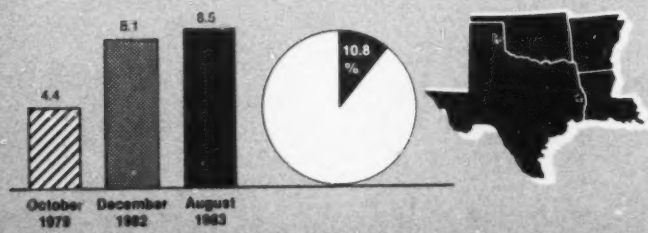
Pacific



Mountain



West South Central



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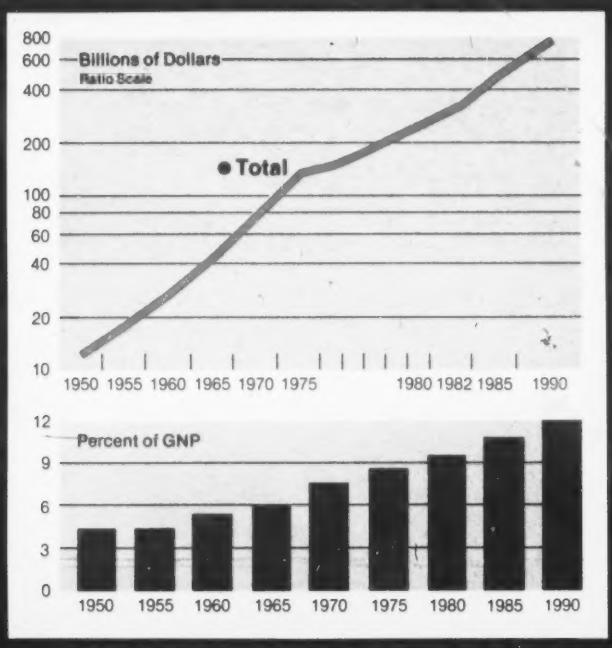
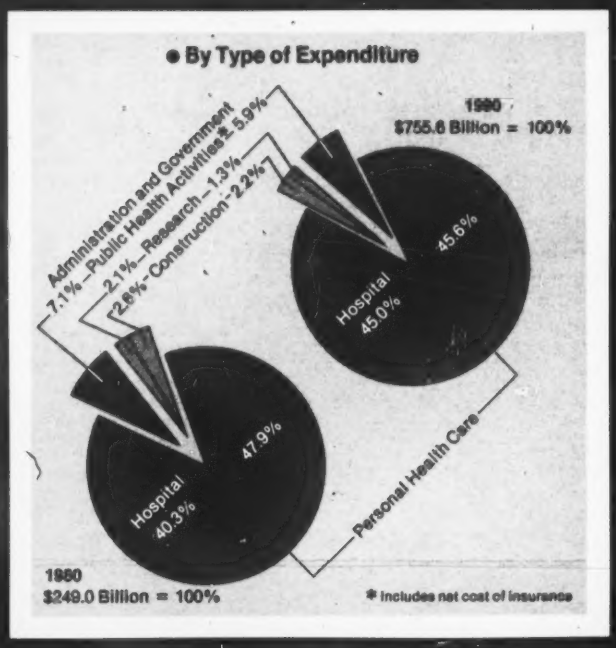
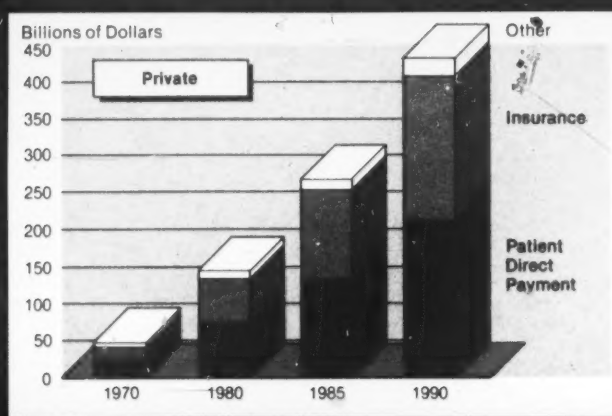
Health Care Expenditures
Past, Present, and Future

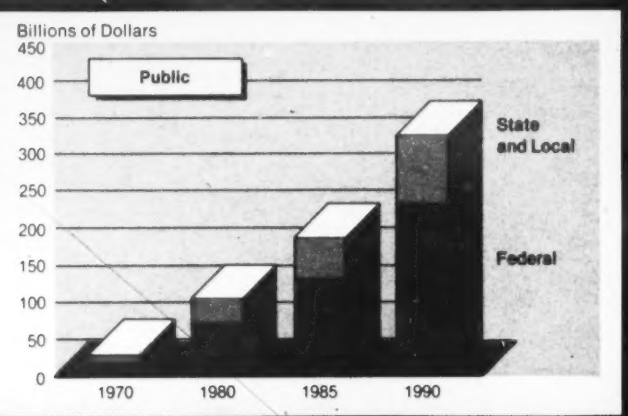
Economic Road Maps
Nos. 1964-1965
December, 1983

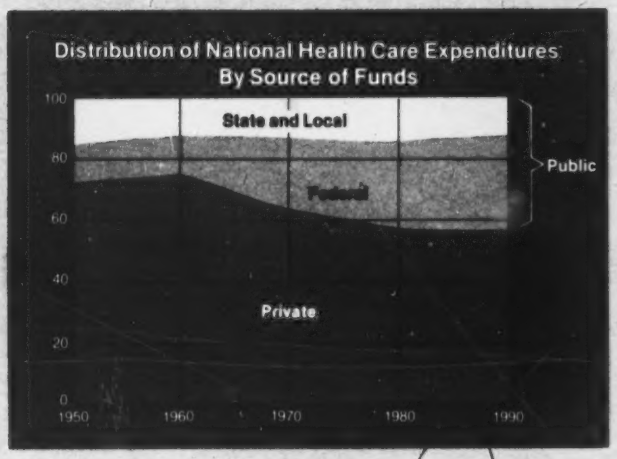
The nation's medical care bill rose dramatically over the last three decades from $13 billion in 1950 to $322 billion in 1982, and is projected to more than double between now and 1990 (to $756 billion). Health care spending has also claimed an ever increasing share of the Gross National Product, going from 4.4% in 1950 to 10.5% in 1982. According to the Health Care Financing Administration, it will consume roughly 12% of economic output in 1990. The problem of escalating health care costs is hardly new. Ever since the early 1960's, these costs have been growing at a rate substantially higher than that of the economy as a whole. Even though the medical expenditure growth rate is expected to decelerate in the years to come, it will continue to outpace the growth of GNP.

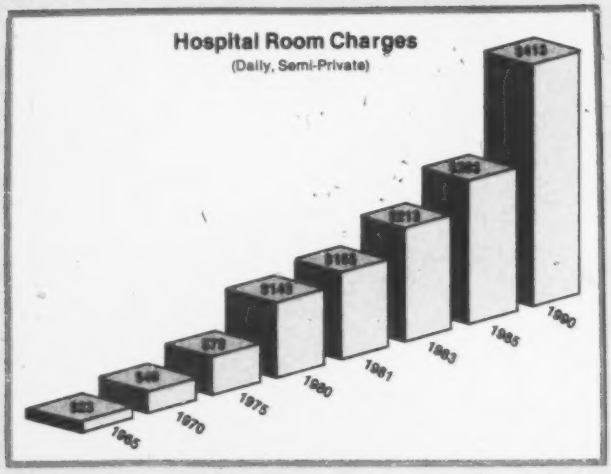


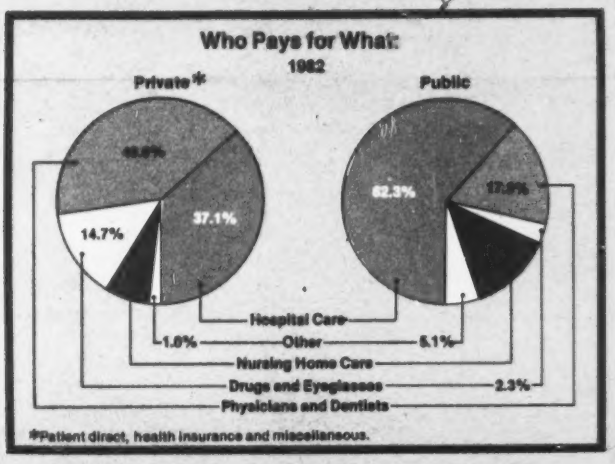


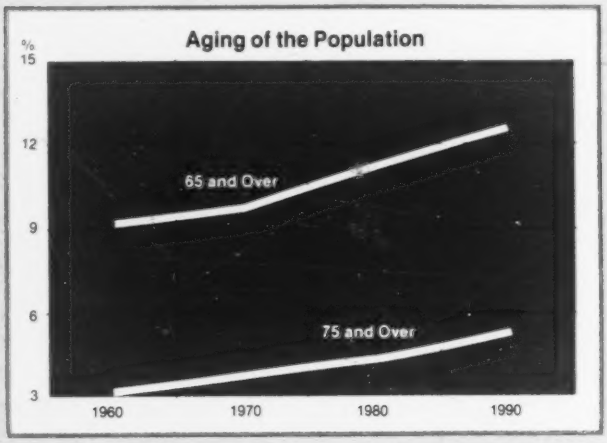


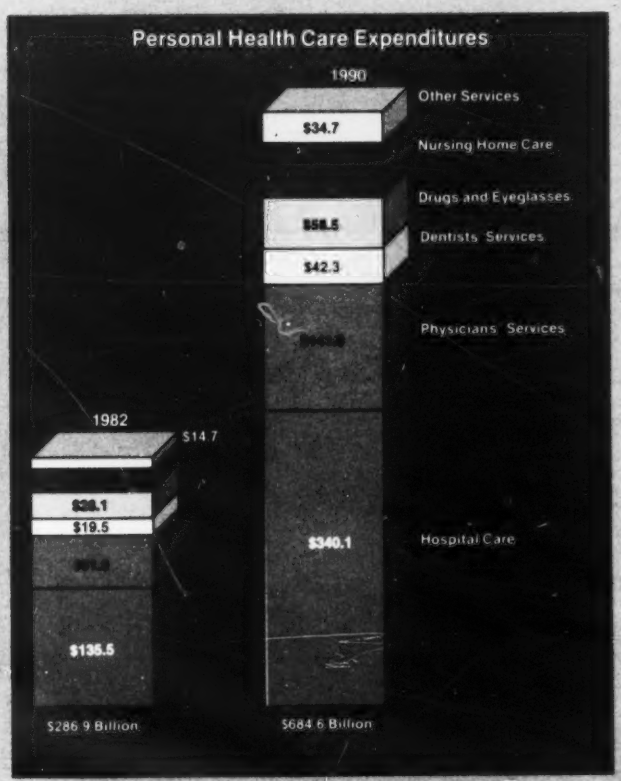








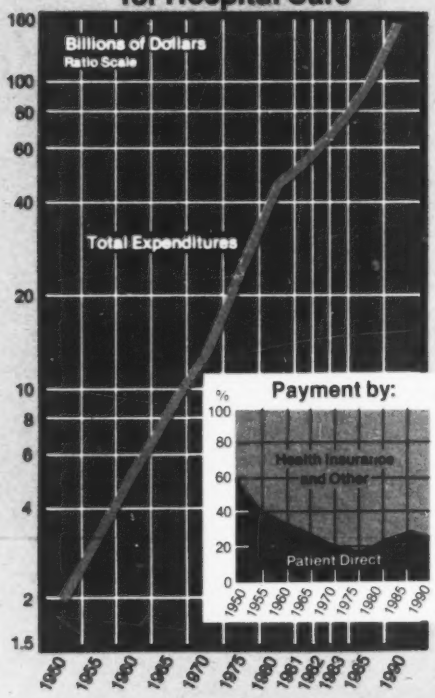




What caused health care costs to rise so rapidly? Inflation is one important factor. In 1982, a year of economic recession and declining inflation rates, the health care services component of the CPI rose twice as fast as the rest of the index. The introduction of new technology, leading to innovative but costly treatments, is also a factor. Today many illnesses can be diagnosed but not necessarily cured; however, maintenance programs and life-support systems can keep patients alive for long periods of time. The aging of the population, especially the rapid increase in the number of persons over age 75—a group requiring considerably more medical care than the rest of the population—was also instrumental in the rapid cost increase.

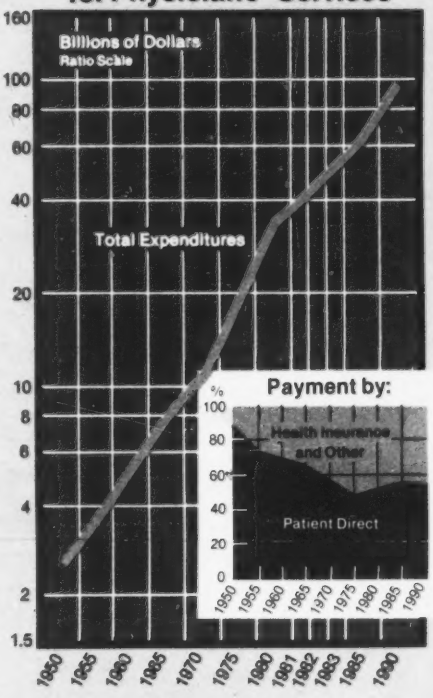
Another factor is the financing and purchasing of health care services. Last year, consumers paid only one-third of personal health care expenses directly, while two-thirds of the cost was financed by third parties—namely, private health insurers, government agencies, philanthropic organizations and industry. Since consumers are insulated to a large degree from actual costs, those costs have only a limited impact on their demand for health services. On the supply side, the system whereby suppliers are reimbursed for services billed tends not to encourage provision of health care in the least expensive manner.

Private Expenditures for Hospital Care



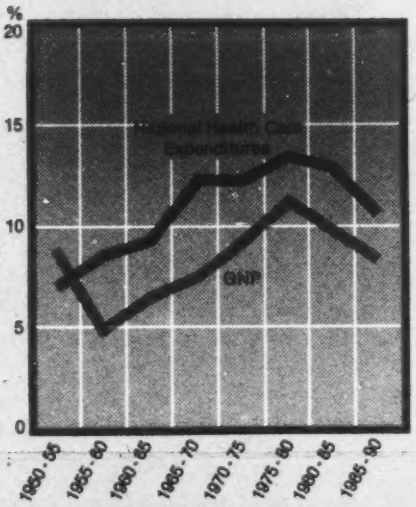
Personal health care, which accounted for 90% of all health care expenditures, was $287 billion in 1982 (the remaining 10% was used to finance administration and net cost of insurance, as well as government public health agencies, noncommercial health research, and construction of medical facilities). Of this amount, roughly half went for hospital care; patients paid about 12% of the $135 billion in hospital costs, with the balance divided between private health insurers (35%) and the government (53%). Fees for physicians' services were $62 billion, accounting for 22% of personal health care expenditures. But the influence of physicians as to where and how the health care dollar is spent is paramount; they not only decide whether hospitalization is necessary, but they also determine the length of

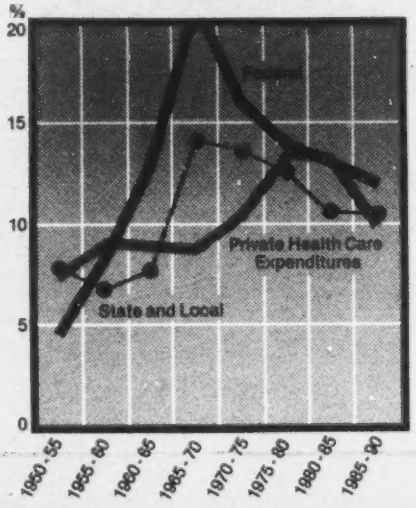
Private Expenditures for Physicians' Services

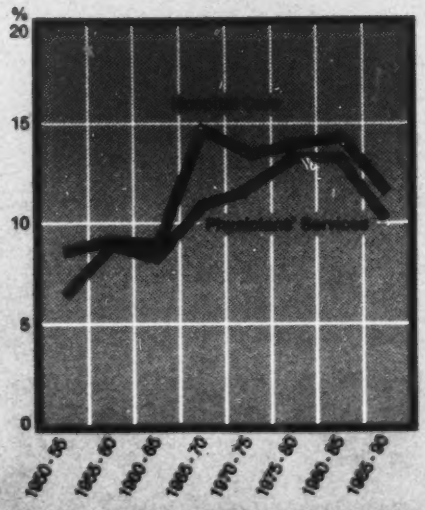


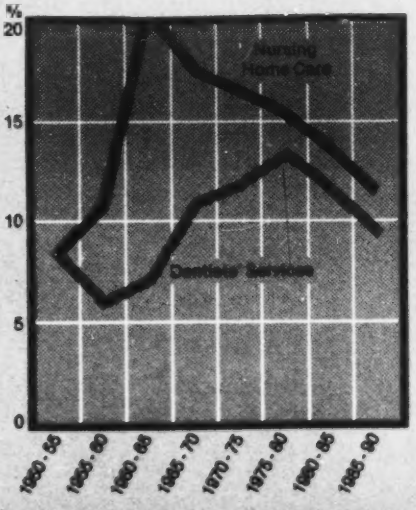
Growth Rates in Health Expenditures

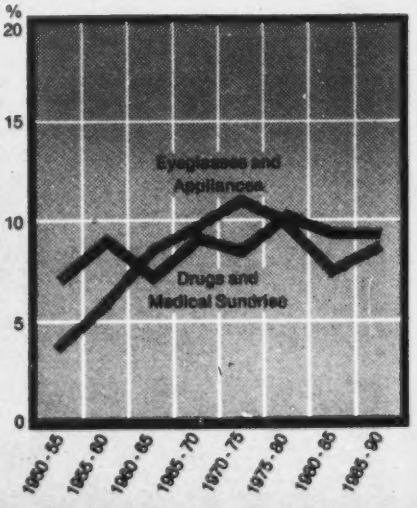
(Average Annual Percent Change)



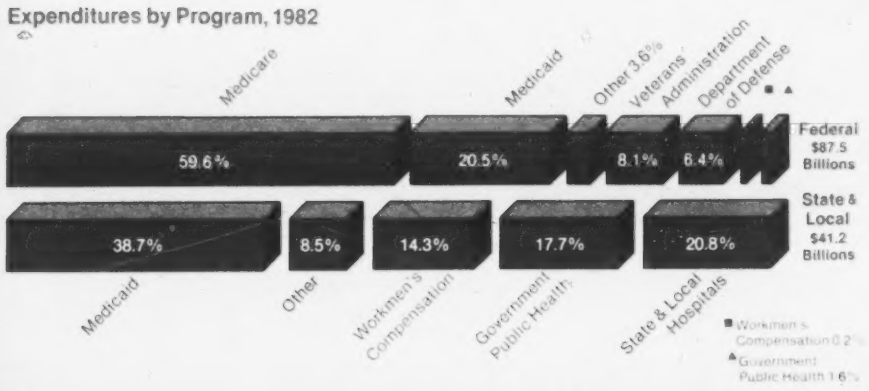


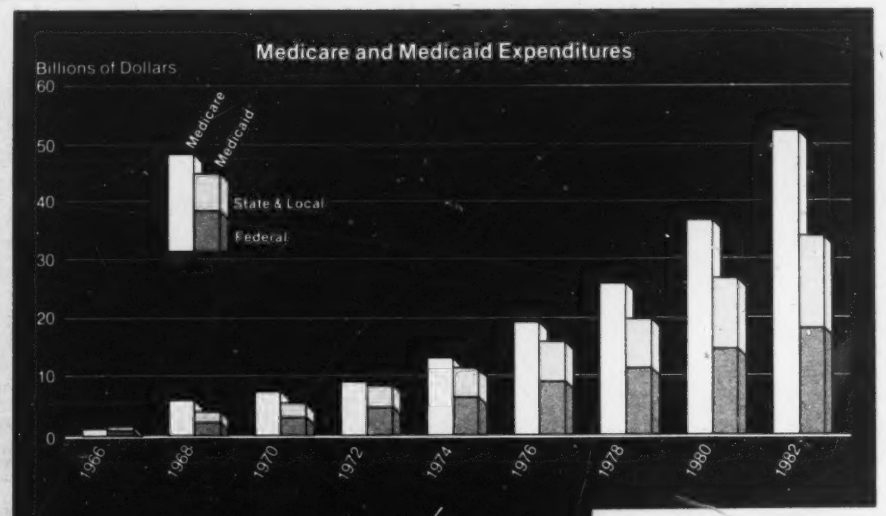


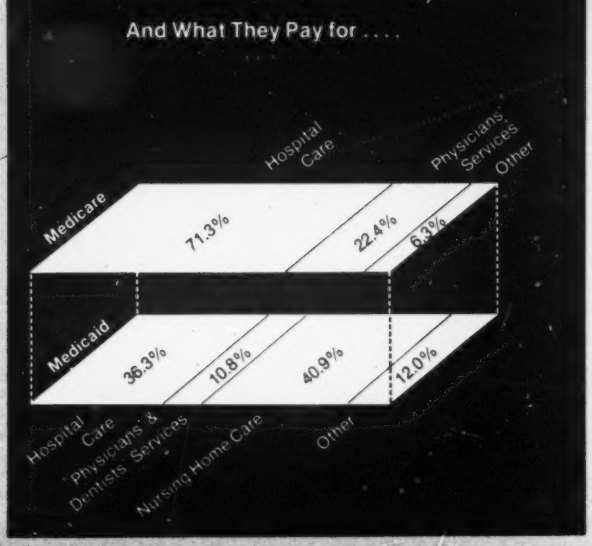




Public Programs Health Care Expenditures





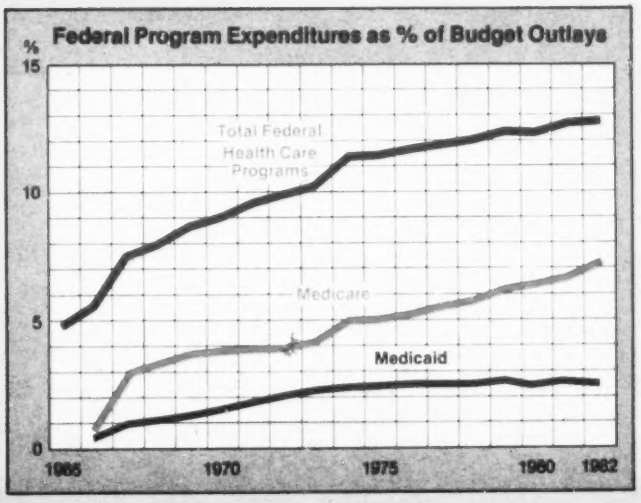


stay, number and type of tests and other services performed, and drugs prescribed.

The share of the personal health care bill paid for by individuals has declined sharply over the years (from 50% in 1965 to 32% in 1982), but it is expected to remain virtually unchanged for the rest of the decade. All third parties combined financed 68% of personal health care outlays in 1982, covering 88% of hospital services, 63% of physicians' services, and 43% of the remaining health services. Government programs funded $129 billion (or 42% of the total) of the expenditures for health services and supplies in 1982. This contrasts sharply with 1965—the year before the enactment of Medicare and Medicaid programs—when 23% of outlays were paid for by the government. Outlays for Medicare and Medicaid, the two largest government programs were $86 billion in 1982. They account for almost three quarters of all public spending, and 29% of all personal health care in the nation.

Eva Culen

Sources: Health Care Financing Administration; U.S. Department of Labor; The Conference Board.



ECONOMIC ROAD MAPS

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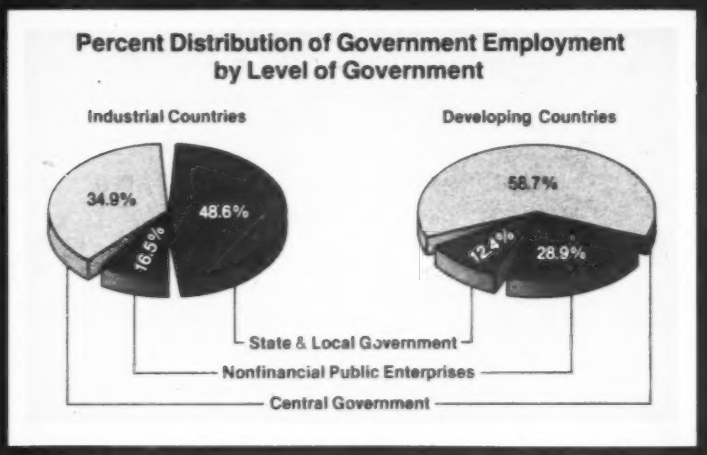
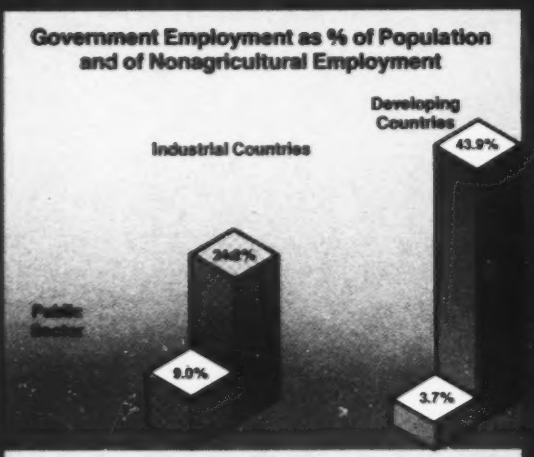
The Conference Board

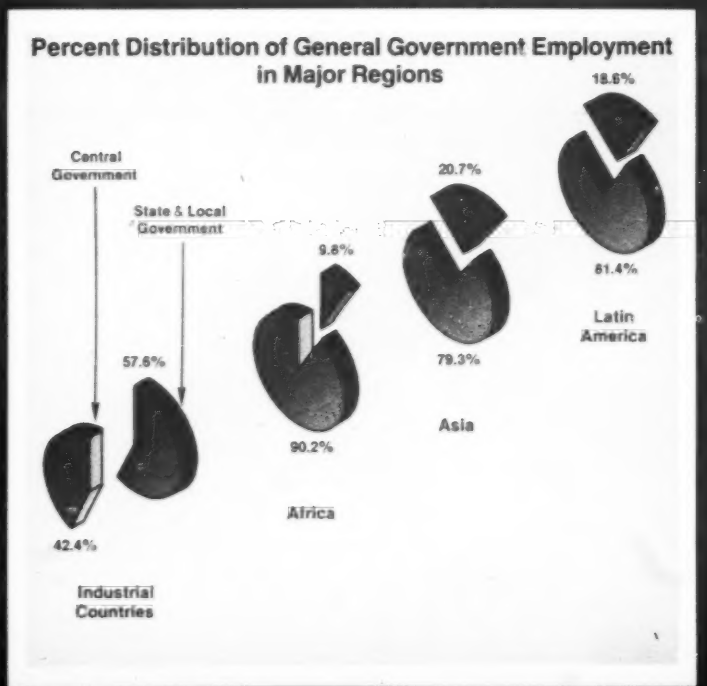
Government Employment and Pay: An International Survey

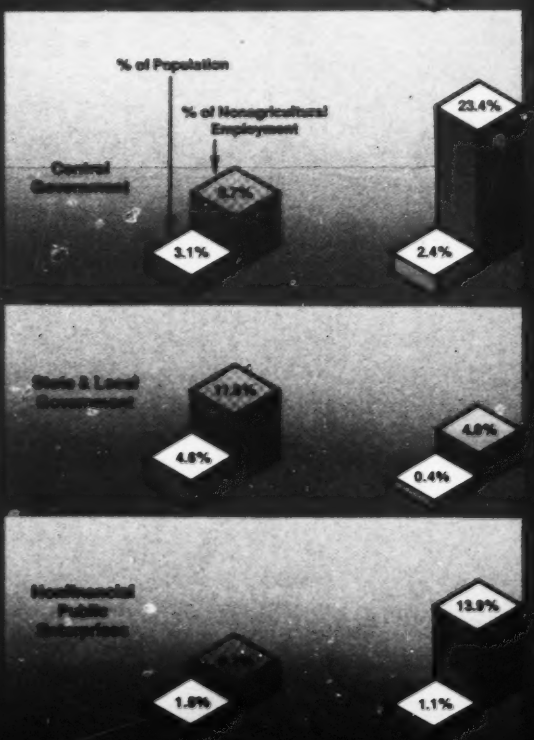
Economic Road Maps
No. 1966-1967 January, 1984

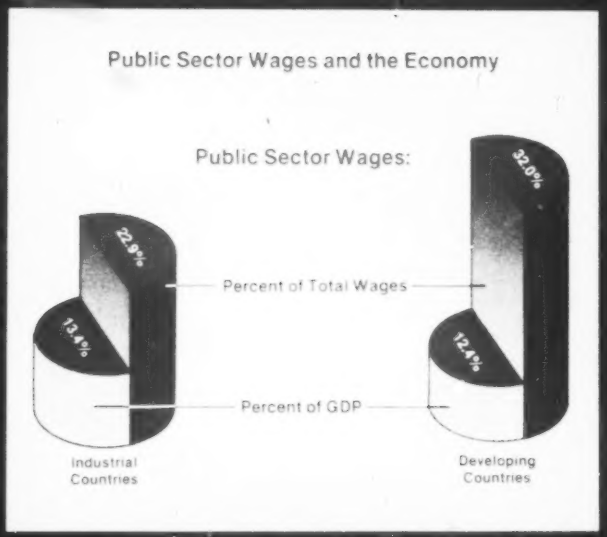
Government employment in most countries around the world has grown greatly in the last few decades. The complexity of running a modern state apparatus, as well as public demand for an ever-increasing number of services, ranging from education and health to police protection and national defense, has resulted in a burgeoning public-sector employment in many countries. The sheer size of bureaucracies—at the central as well as state and local levels—has conferred on them an increasingly important role in their nations' economies. Government wage policies in countries with significant numbers of government workers are likely to influence wages throughout the economy, the distribution of income, and the structure of output. When governments grant substantial wage increases to low-paid employees, there may be repercussions on the wage policy of the country as a whole. The way in which salaries and wages are financed may, in turn, affect the rate of inflation and, in some cases, the balance of payments.









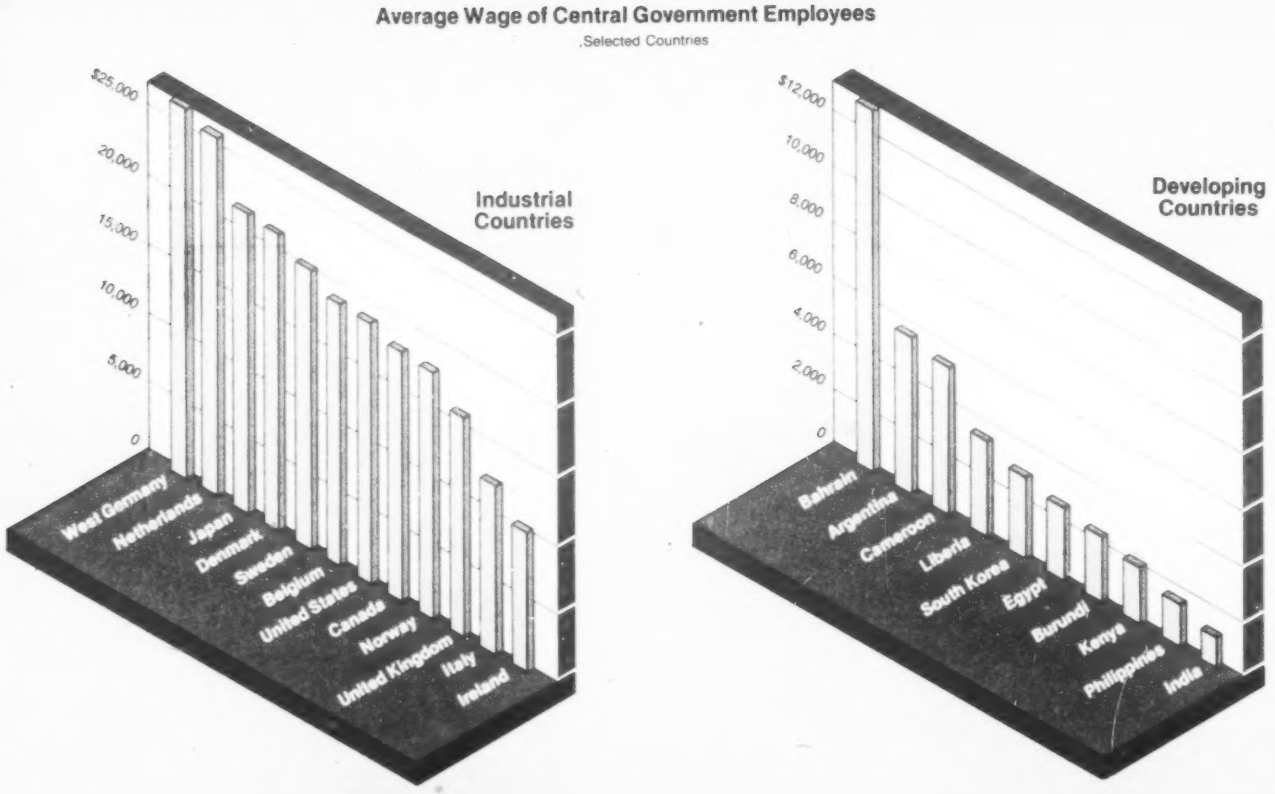


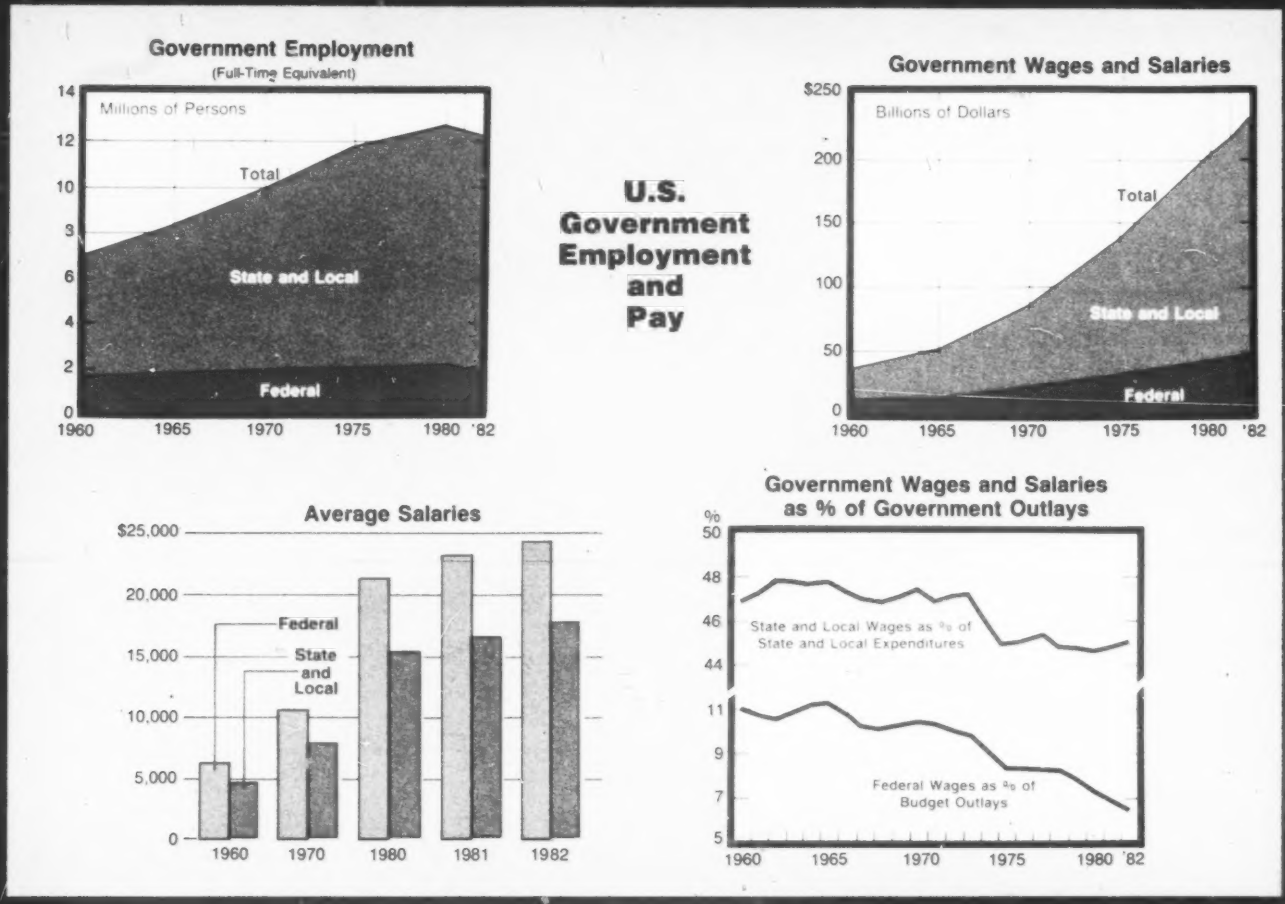
In spite of the importance of public-sector employment to the economy, information relating to government employment and pay is exceedingly scarce except for a small number of countries. The paucity of information has made international comparisons almost impossible. The International Monetary Fund (IMF) recently released a study based on data drawn from 64 developing countries and 21 countries belonging to the Organization for Economic Cooperation and Development (OECD) dealing with the size and structure of government bureaucracy and the wage bill of government employment. For each country, the data cover only one year, ranging from 1978 to 1982. The implications of the choice of year are not significant for employment, since the number of public employees does not fluctuate greatly from year to year; the implication for wages, however, may be significant.

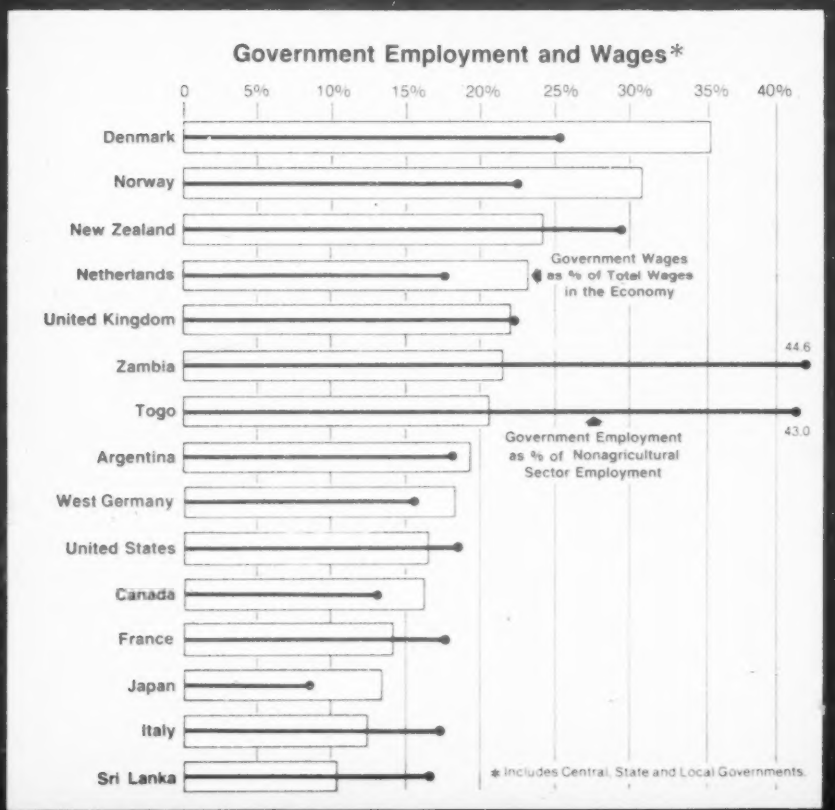
While problems inherent in cross-country comparisons are obvious—starting with the problem of defining units of government—certain patterns emerge quite clearly.

The importance and impact of the public sector on the national economy is far greater in the developing countries than it is in the industrial nations. Public-sector employment averages 44% of the nonagricultural employment in the developing world, but only about half as much in the industrial countries. Among developing countries, the share of public-sector employment in nonagricultural employment reaches as high as 87% for Benin, followed by Ghana (74%) and India (72%). In the OECD group, New Zealand has the largest government employment share at 36.5% of nonagricultural employment, followed by Sweden (33.8%), Belgium (32.8%) and the United Kingdom (30.8%). On the lower end are the United States (19.6%), Canada (16.4%) and South Korea (15.9%). According to the IMF study, public-sector wage awards affect national wage rates when government employment surpasses 20 to 25% of nonagricultural employment. Below this figure the impact is much less important.

The system of centralized government is preponderant in the developing countries, with the result that almost one-quarter of total nonagricultural employment is accounted for by the central government in these countries, as contrasted to 9% in the OECD nations. This also reflects the fact that most employment in the developing







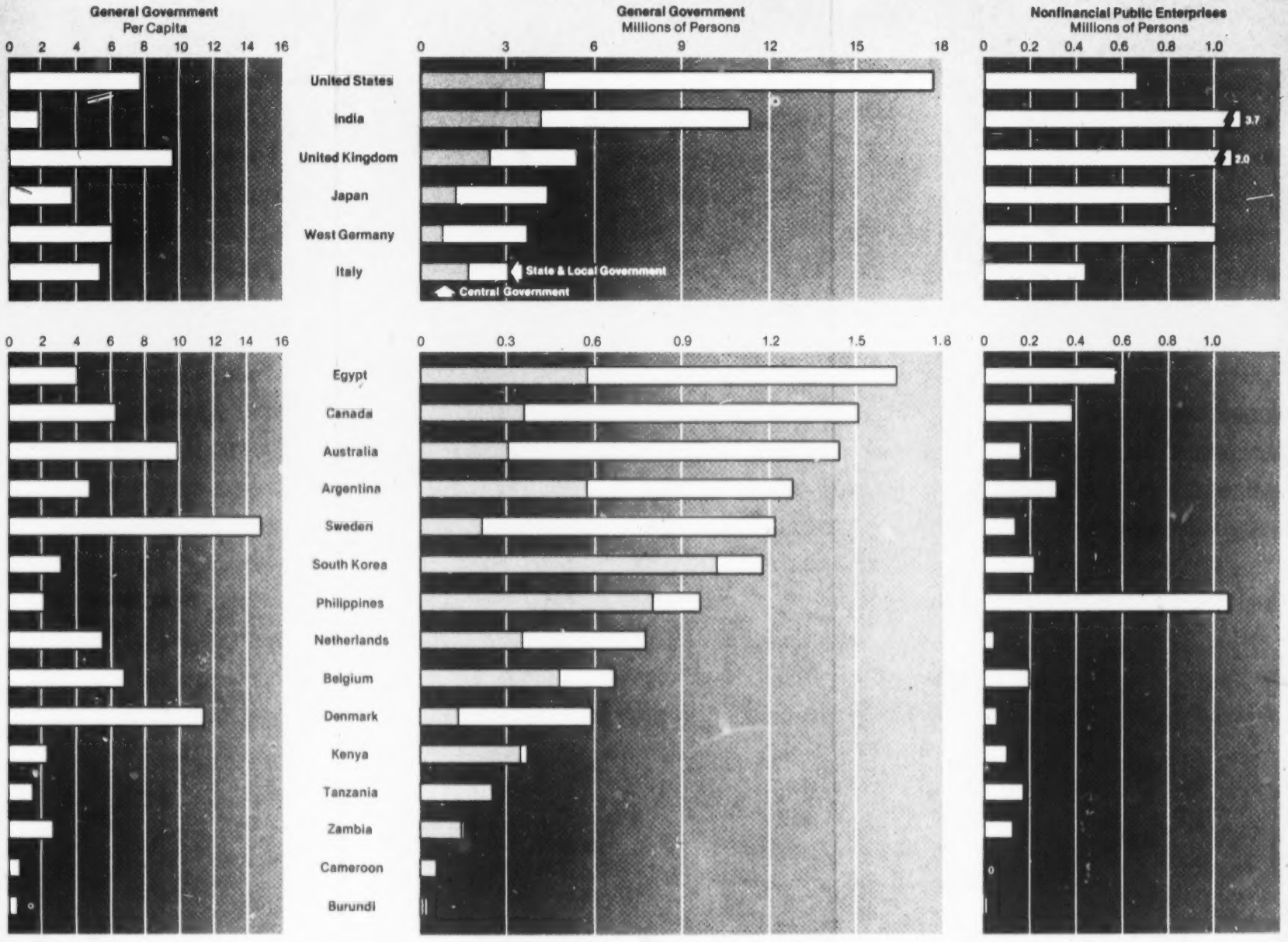
countries is in the agricultural sector, with the government absorbing a large share of a relatively small nonagricultural labor force. In the OECD countries, nonagricultural employment constitutes a majority of the labor force so that the impact of central government employment on the sector is much smaller. In federally constituted countries, such as the United States, West Germany and Canada, the impact declines even further. However, total central, state and local government employment accounts for 19% of nonagricultural employment in the OECD group, as against 26% for the developing countries. Per capita government employment, which is a rough measure of the magnitude of public service, is substantially higher in the industrial countries, averaging seven per one hundred inhabitants as opposed to three per one hundred in the developing world.

Eva Culen

Sources: International Monetary Fund; U.S. Department of Commerce; The Conference Board.

Public Sector Employment

Selected Countries



ECONOMIC ROAD MAPS

Eva Galen, Editor

Chuck N. Tow, Chief Chartist

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director
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The Conference Board

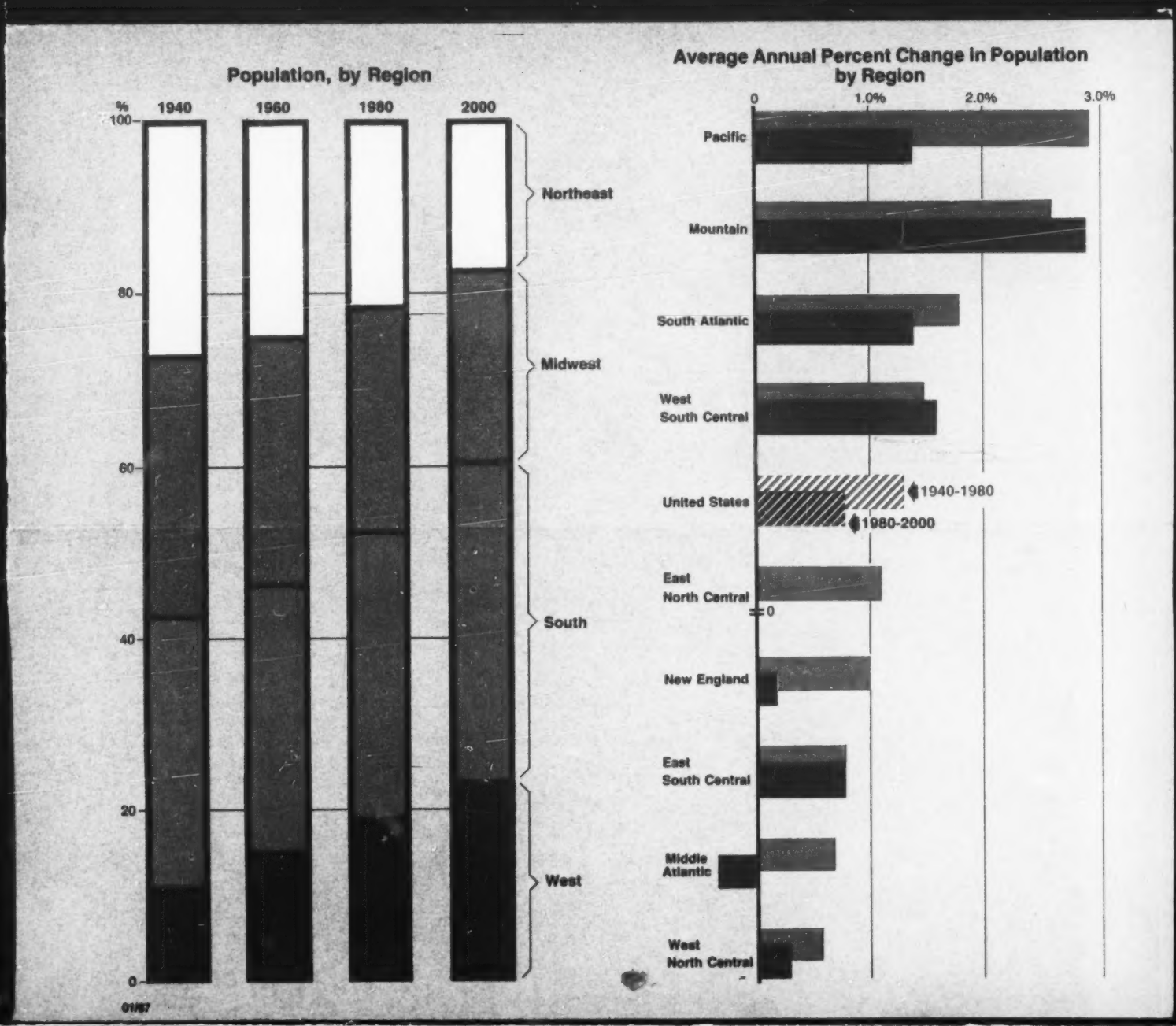
Population Growth and Migration

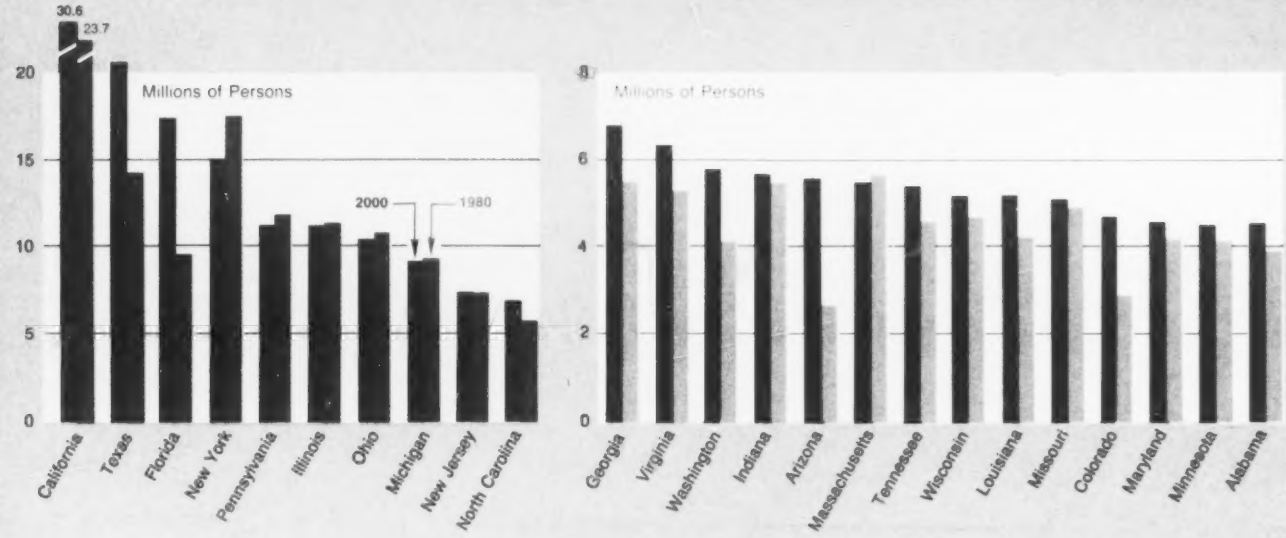
Economic Road Maps

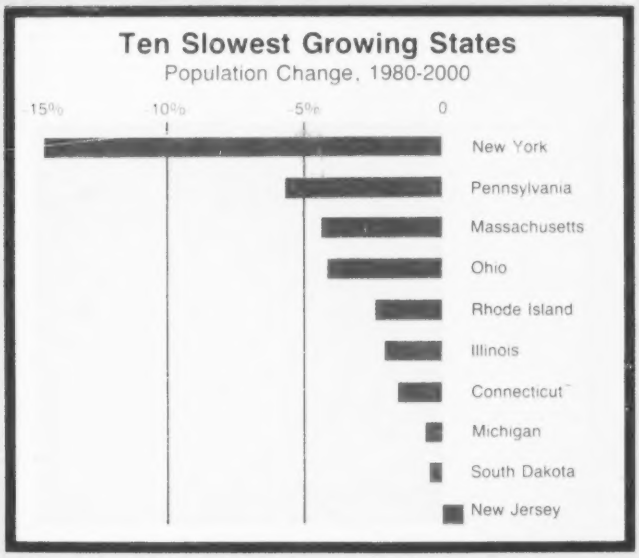
Nos. 1968-1969

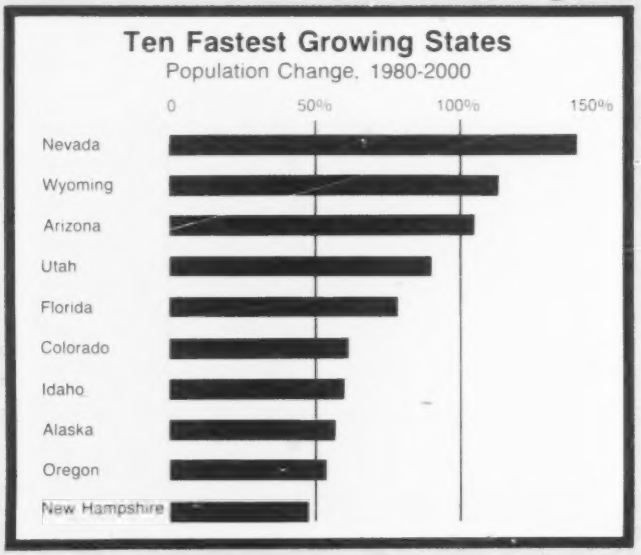
March, 1984

Changes in the population growth rate profoundly influence prospects for an economy's growth. The birth rate rose dramatically in this country following World War II. Most of those young men and women started their working careers between 1960 and 1980, and much of the economic news of that period dealt with the coming of age of the postwar generation. At the same time, however, the birth rate was declining very sharply. As a consequence, one of the important themes in economic news reports between now and the year 2000 will be the aging of the post-World War II generation.







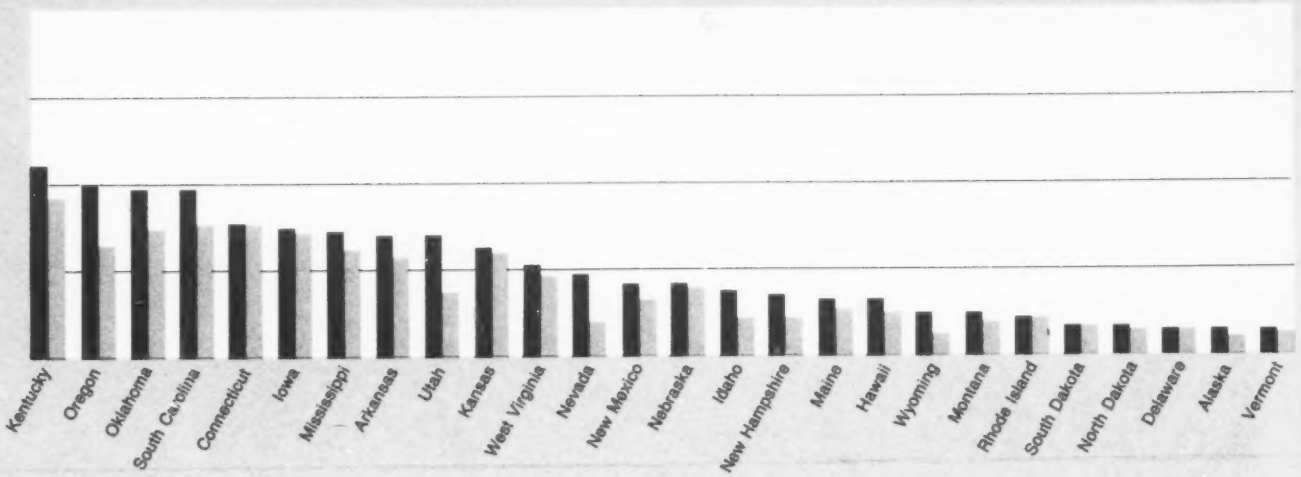


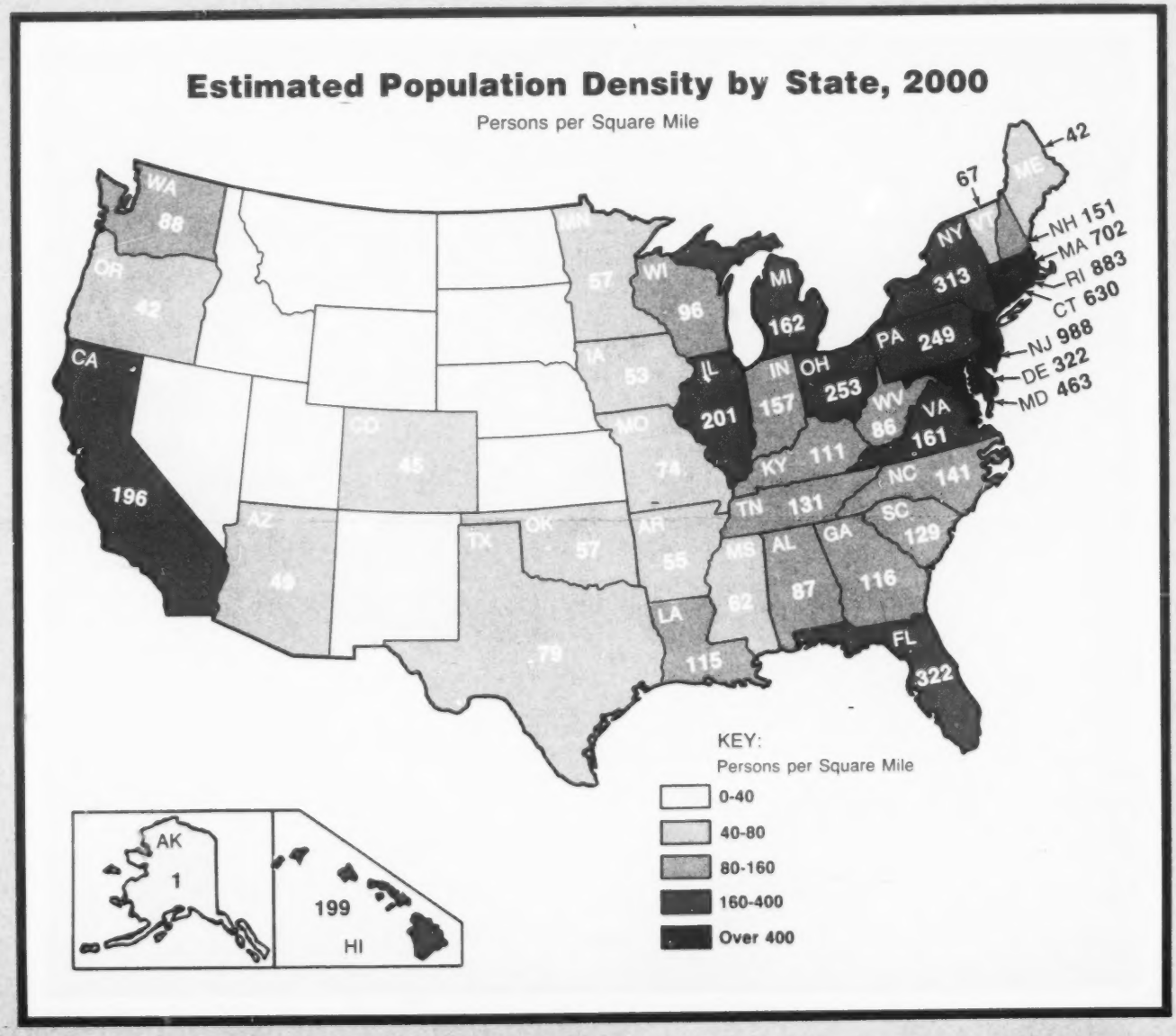
There have been four major changes in the pattern of U.S. population growth in the 20th century. Waves of new immigrants, largely young adults, swelled the growth rate in the first two decades. The subsequent decline in immigration, the deaths suffered in World War I, and the depression, substantially lowered the growth rate from an annual average of 1.7% in the 1900-1920 period to 1.1% in the 1920-1940 era. (A drop from a 1.7% increase to 1.1% may not sound like a momentous change on first hearing. Consider, however, that with a 1.7% increase per year, population would double in 41 years. A 1.1% rise implies that it would take 64 years for the population to double.)

The birth rate rose sharply following World War II. The population began to grow by about 1.8% per year in the late 1940's and continued to expand at about that pace through the late 1950's. Suddenly, in the early 1960's, the birth rate began to fall. By 1968, the population was growing by only 1% per year and has continued to grow at about that pace through 1983. The Census Bureau has estimated that growth will probably slow even further, to an average annual rate of only 0.8% in the period 1980-2000. Slower population growth and longer life expectancy imply that the average age is going to change more in the next 15 years than it has in the last 45 years. The median age of the population was about 29 years in 1940, 29.5 years in 1960, and 30 years in 1980. But if the Census Bureau projection is on target, the median age could rise to 36 years by the year 2000.

Geographic mobility has always been a prominent feature of U.S. demography. For many years now, people have been moving out of the densely-populated Northeast and Midwest to the more sparsely populated South and West. Some have described these shifts as people moving out of the "Snow Belt" and into the "Sun Belt," and consider the widespread introduction of the air conditioner as the single most influential factor in this migratory pattern. New York, Pennsylvania and Illinois, all "Snow Belt" states, were the three

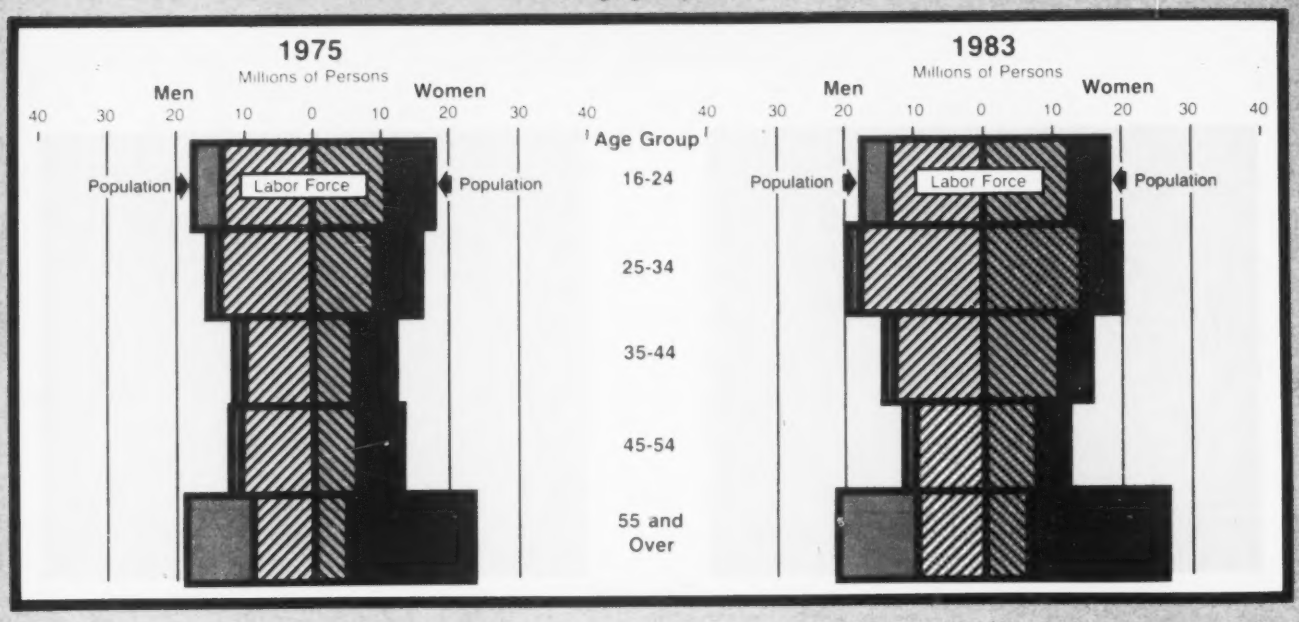
lation by State





Population and Labor Force Profile

Working Age Population

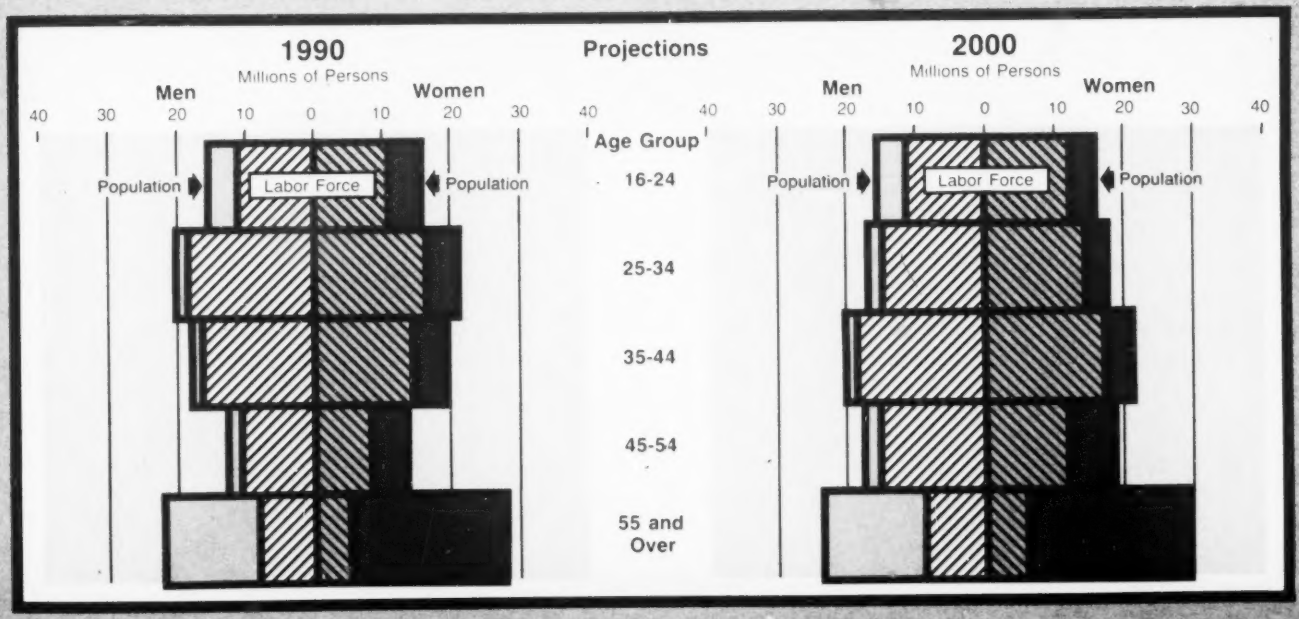


most populous states in the union in 1940. Due to the demographic shift in the subsequent 60 years, assuming no major break in the pattern during the 1980-2000 period, those three will rank fourth, fifth, and sixth, respectively. California, Texas and Florida, all "Sun Belt" states, will be the three largest in population by 2000.

Given the expected decline in the nation's population growth rate for the period 1980-2000, it is not surprising that growth in most regions of the country is projected to slow in the next few years. Only the Mountain and West South Central states are expected to have a slightly higher growth rate in 1980-2000 than they had in 1940-1980. Growth in the population of the East South Central states is expected to be at about the same rate in the next few years as it has been in the last four decades. Population in the Middle Atlantic states, however, is projected to fall very slightly in the 1980-2000 period.

Ken Goldstein

SOURCES: Bureau of the Census; Bureau of Labor Statistics; The Conference Board.



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Eva Culen, Editor — Chuck N. Tow, Chief Chartist

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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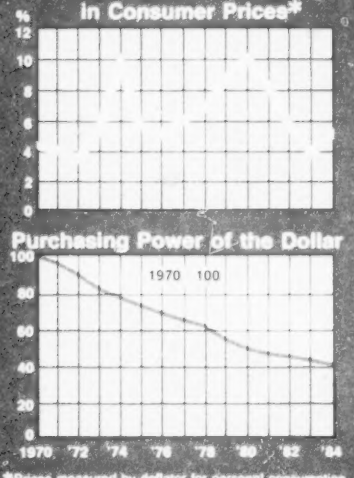
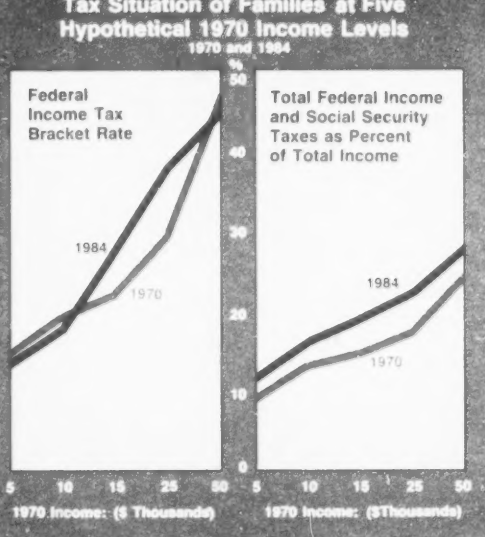
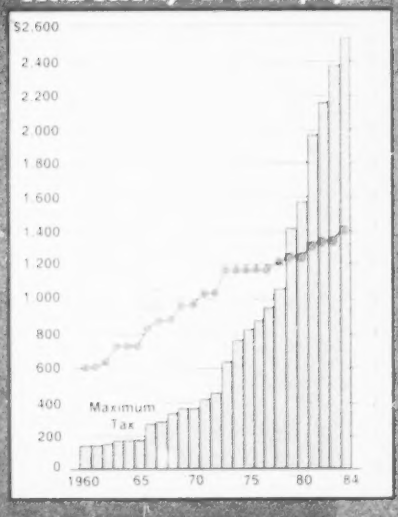
The Two-Way Squeeze, 1984

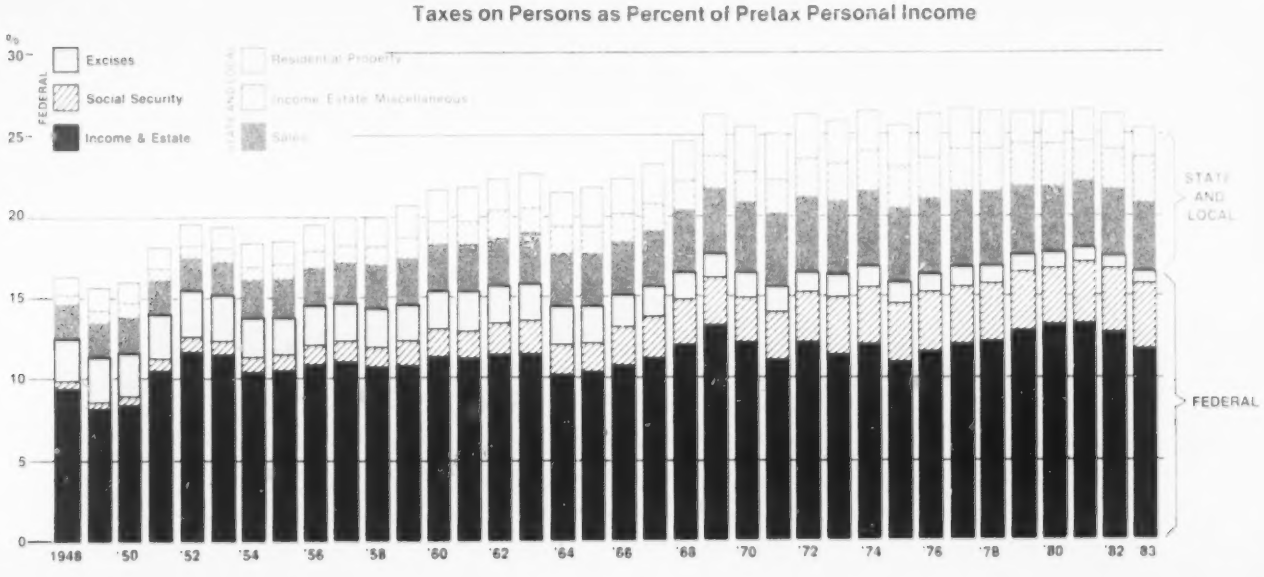
Economic Road Maps
No. 1970 April, 1984

Inflation in 1984 is expected to be moderately above last year's rate, but still vastly below the pace of several years before. In the calculations presented here, a 5% rise in the consumer price level is projected for 1984, compared with 3.9% in 1983 and 8% to 10% in 1979-1981. Even so, a dollar in 1984 will have only 41% of the purchasing power that a dollar had in 1970 (charts below left). If a family had a $10,000 income in 1970—about the average then—it needs $25,048 this year to have the same real after-tax purchasing power it had then. The share of this hypothetical family's income taken by federal income taxes has dropped from 9.9% in 1970 to 9.4% this year, but Social Security taxes have gone from 3.7% to 7.0% (charts below center). The family's federal income-tax bracket rate has dropped from 15% to 14%. These calculations are for federal taxes only, since state-local taxes vary greatly among jurisdictions. However, the bottom chart on this page shows that, nationwide, the average 1983 state-local tax burden on personal income was roughly half the federal (8.8% against 16.5%).









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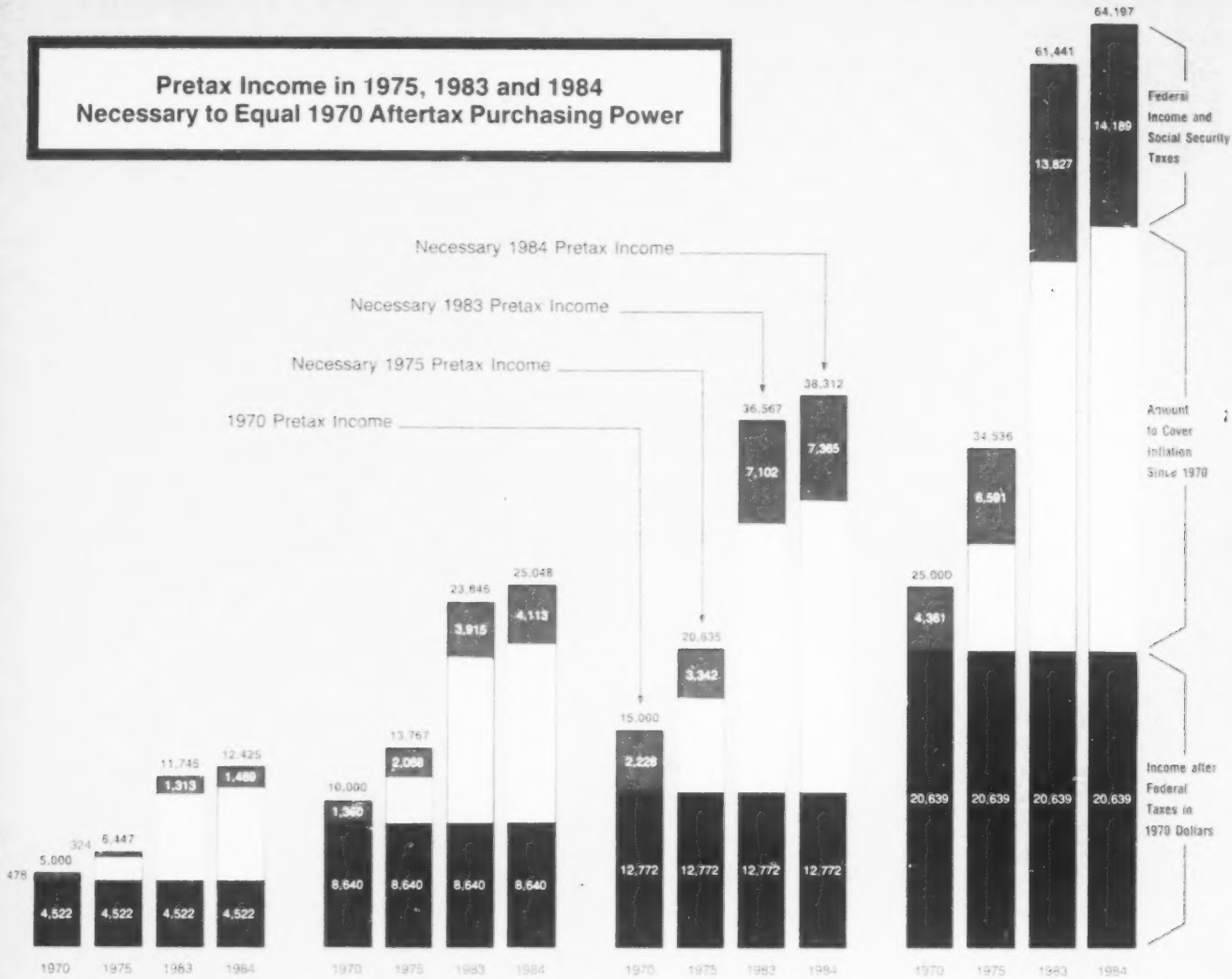
Pretax Income in 1975, 1983 and 1984 Necessary to Equal 1970 Aftertax Purchasing Power



1970 PRETAX INCOME	$ 5,000	$10,000	$15,000	$25,000	$ 50,000
Less: Federal income tax	238	360	1,884	3,987	11,982
Less: Social security tax	240	474	474	474	474
Equals: Income after federal taxes	4,522	8,640	12,772	20,639	37,644
1975 NECESSARY PRETAX INCOME	6,447	13,767	20,635	34,536	70,392
Less: Federal income tax	83	1,263	2,517	5,766	18,597
Less: Social security tax	377	805	825	825	825
Less: Amount to cover inflation since 1970	1,601	3,059	4,521	7,306	13,326
Equals: Income after federal taxes, in 1970 dollars	4,522	8,640	12,772	20,639	37,644
1983 NECESSARY PRETAX INCOME	11,745	23,846	36,567	61,441	121,979
Less: Federal income tax	500	1,957	3,776	11,436	32,742
Less: Social security tax	767	1,546	2,533	2,533	2,533
Less: Amount to cover inflation since 1970	5,977	11,343	16,643	26,975	44,201
Equals: Income after federal taxes, in 1970 dollars	4,522	8,640	12,772	20,639	37,644
1984 NECESSARY PRETAX INCOME	12,425	25,048	38,312	64,197	126,366
Less: Federal income tax	599	2,360	4,832	11,656	32,622
Less: Social security tax	870	1,753	2,533	2,533	2,533
Less: Amount to cover inflation since 1970	6,434	12,295	18,175	29,369	53,564
Equals: Income after federal taxes, in 1970 dollars	4,522	8,640	12,772	20,639	37,644

Federal income and social security taxes are calculated on the basis of current rates and exemptions. Tax liabilities are computed on the basis of income after deductions for personal exemptions and the standard deduction. Social security taxes are calculated on the basis of wage and salary income only. Amounts to cover inflation since 1970 are calculated on the basis of the percentage increase in the Consumer Price Index between 1970 and the year specified. Figures may not add because of rounding.

Sources: Bureau of Economic Analysis, Internal Revenue Service, The Conference Board

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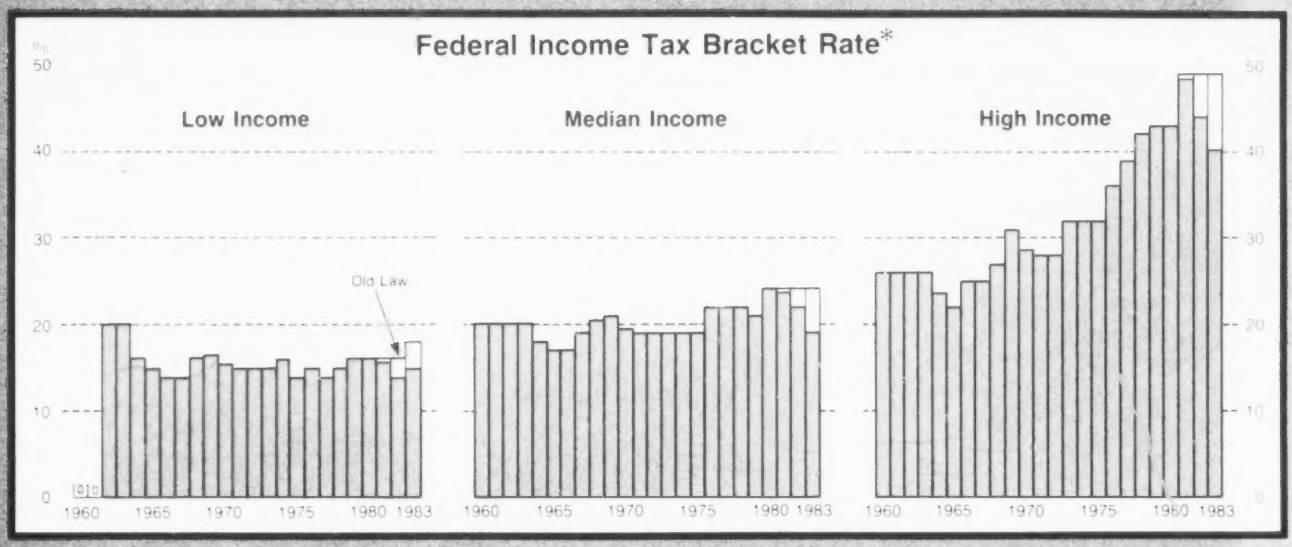
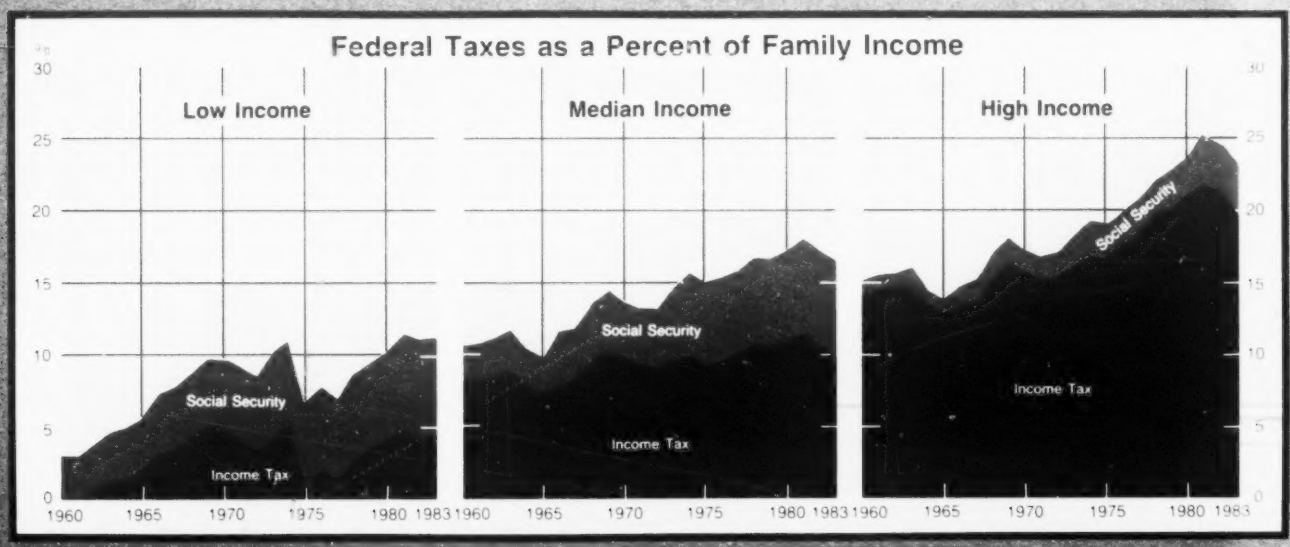
Incomes and Taxes

Economic Road Maps

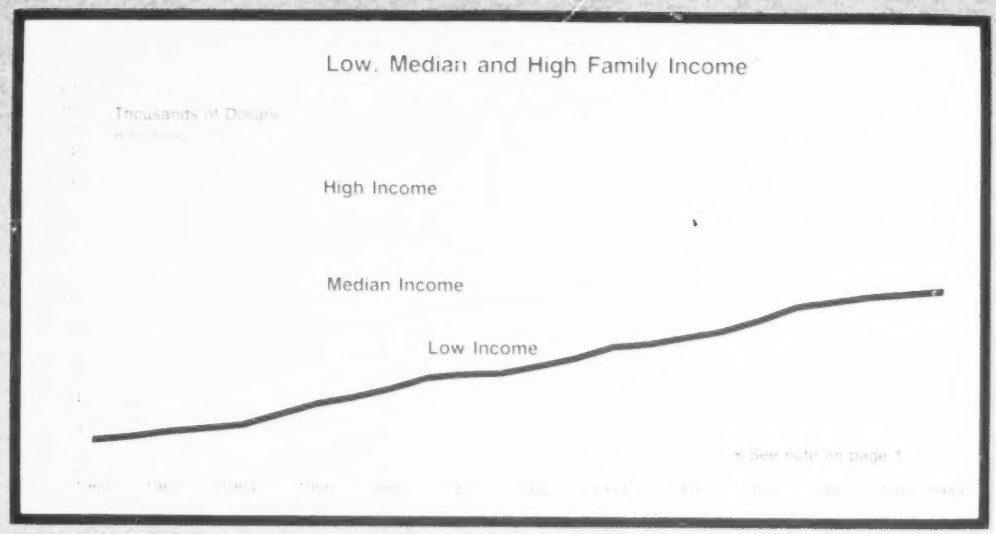
No. 1971 April, 1984

The median income of U.S. families was $23,433 in 1982, the last year for which data are available. The figures presented here assume a 4% rise last year, to $24,370. The upper chart on page 2 traces family income over the years. Much of the advance has, of course, simply reflected inflation. The income rise tended to push taxpayers into higher income-tax brackets, but periodic cuts in federal income taxes have worked to hold down the tax burden on low- and median-income families. However, until that latest round of cuts the burden on high-income families had been rising. Meanwhile, the Social Security tax burden has been rising for all workers, but more noticeably at middle- and upper-income levels (lower chart, below). The low-income family is defined as the one at the 20th percentile of the family income ranking; it had an $11,200 income in 1982. The high-income family is the one at the 95th percentile; its 1982 income was $64,000.





* Family income each year at the 20th, 50th and 95th percentiles of the family income distribution. Estimated for 1983. Family is assumed to consist of four persons, of whom one is the earner.



From 1960 to the late 1970's, the median family's federal income-tax bracket rate held very close to 20 percent. It was 19% last year, but would have been 24% in the absence of the tax cuts of the past three years (upper chart, page 1). The low-income family's bracket rate in 1983 was 15%, but would have been 18% absent the tax cuts. Bracket creep has been more pronounced for high-income families. From about 25% in the early 1960's, their bracket rate went to 43% in 1979 and 1980, and would have been 49% since then absent the tax cuts.

The federal income tax took an estimated 9.8% of the median family's income in 1983, a burden that was down from 11.4% in 1981. For high- and low-income families, the 1983 burdens were 19.6% and 4.4%, respectively (lower chart, page 1).

The Social Security tax burden has been rising for everyone. The rise is sharper at middle- and upper-income levels than at low incomes, because the amount of income subject to taxation has risen much faster (from $7,800 in 1970 to $36,200 in 1984) than the tax rate (from 4.8% in 1970 to 7.0% in 1984). In 1983, the Social Security tax was 60% of total federal taxes paid by the low-income family, 40% for the median-income family, and 15% for the high-income family.

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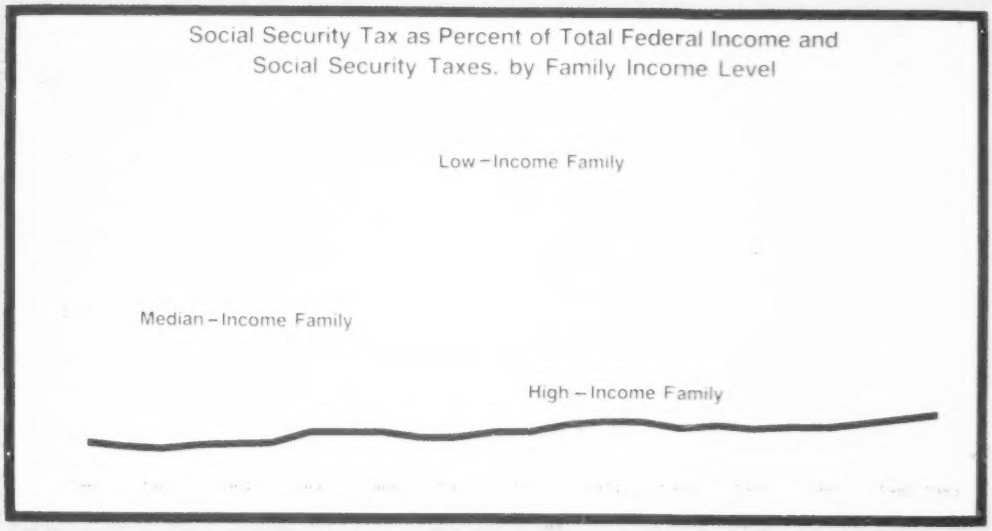
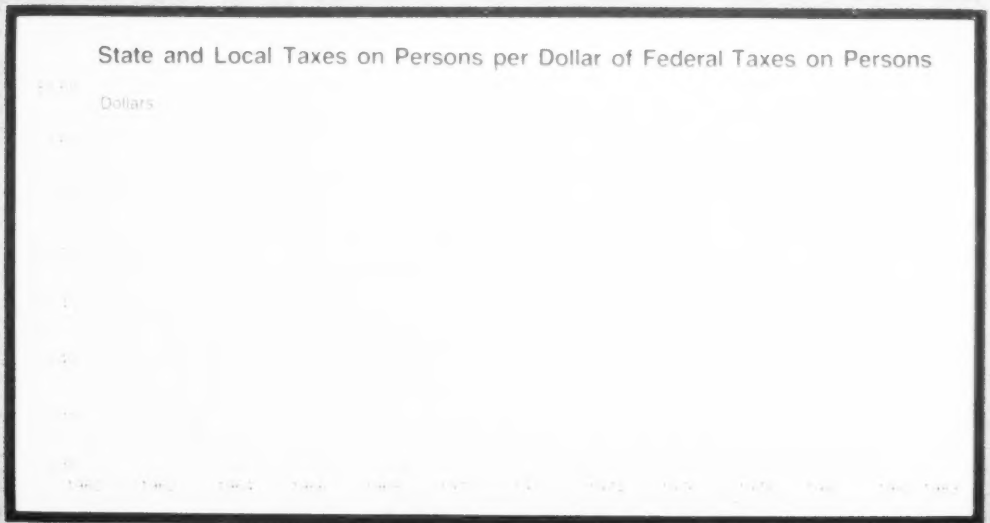

Social Security Tax as Percent of Total Federal Income and
Social Security Taxes, by Family Income Level
Low-Income Family
Median-Income Family
High-Income Family



Sources: Bureau of Census; Bureau of Economic Analysis; The Conference Board.

ECONOMIC ROAD MAPS

Eva Culen, Editor Chuck N. Tow, Chief Chartist

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director
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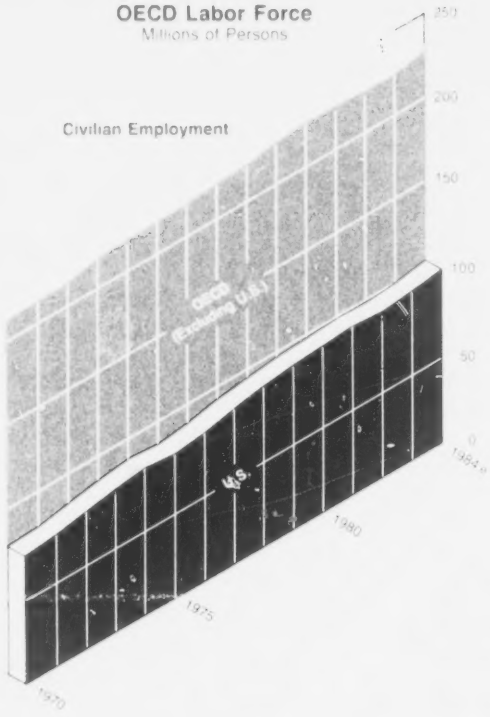
Employment and Unemployment in Industrial Countries

Economic Road Maps
Nos. 1972-1973

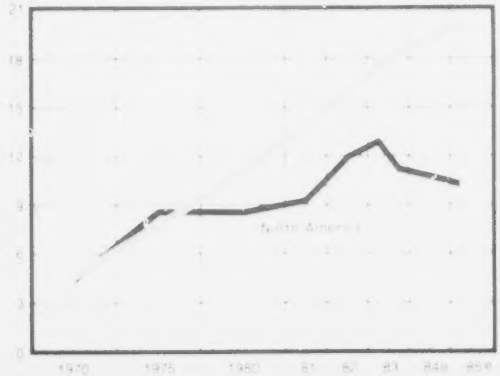
May 1984

The economic recessions of the mid-1970's and early 1980's resulted in high unemployment in western industrial countries. The number of unemployed in the OECD countries rose from 9 million in 1970 to 19 million in 1980 and, despite the recent economic recovery, the number of jobless is expected to be almost 30 million this year. North America, where unemployment is on the decline, is the notable exception in this otherwise gloomy outlook. In addition to the economic losses, this large-scale dislocation of the labor force is creating social and political problems for the countries in question.

OECD Labor Force
Millions of Persons



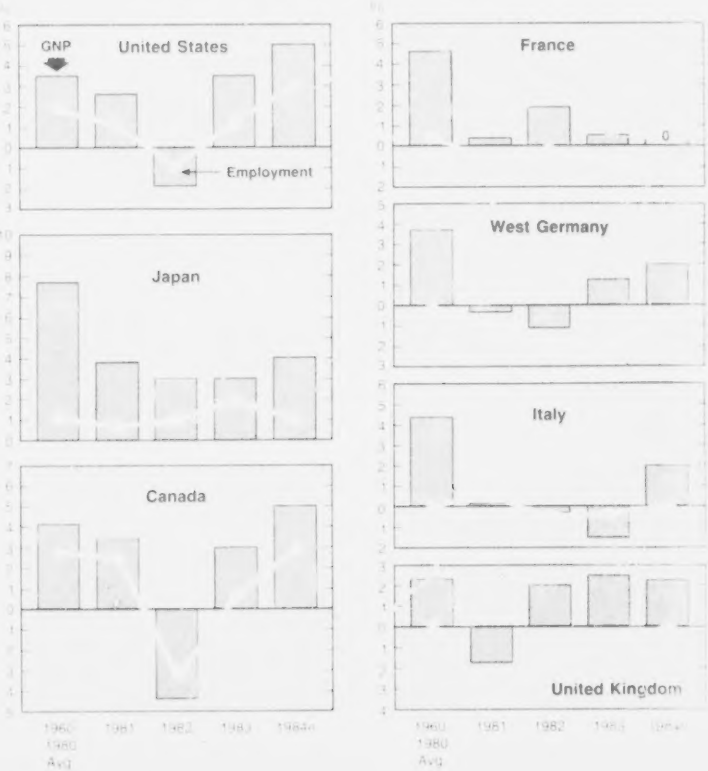
Number of Unemployed



e - Estimates

What are the causes for such large increases in unemployment? Reduced availability of jobs during downturns is obvious, but demographic factors such as population growth, age distribution, and labor-force participation rates are all important. Population growth is slowing in the developed countries. This reflects declining birth rates. Within the broad framework of a slowdown in population growth, there is the more significant change in the age structure of the population. The number of children under age 15 declined in most countries between 1975 and 1982; the heaviest drop was sustained in Germany, where the number of young people declined by 19%, but Switzerland, the United Kingdom, Austria and the Netherlands all registered declines of over 10 percent.

Percent Change in GNP and Employment



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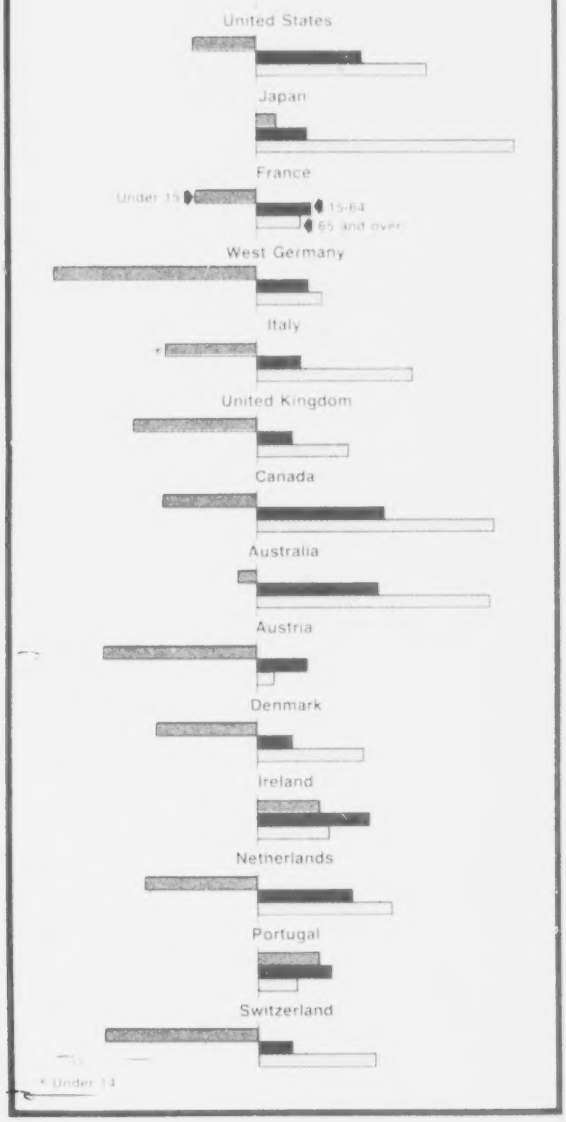
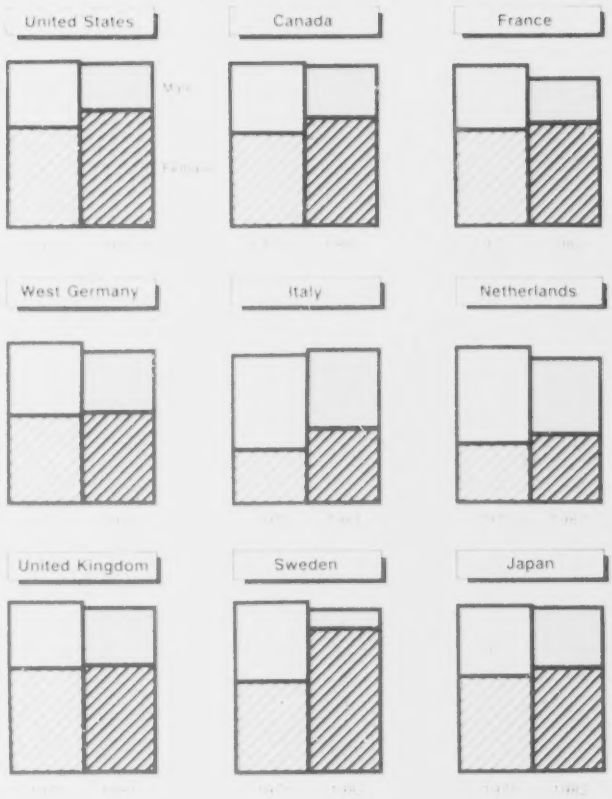
Changes in Age Structure of Population, 1975-1981

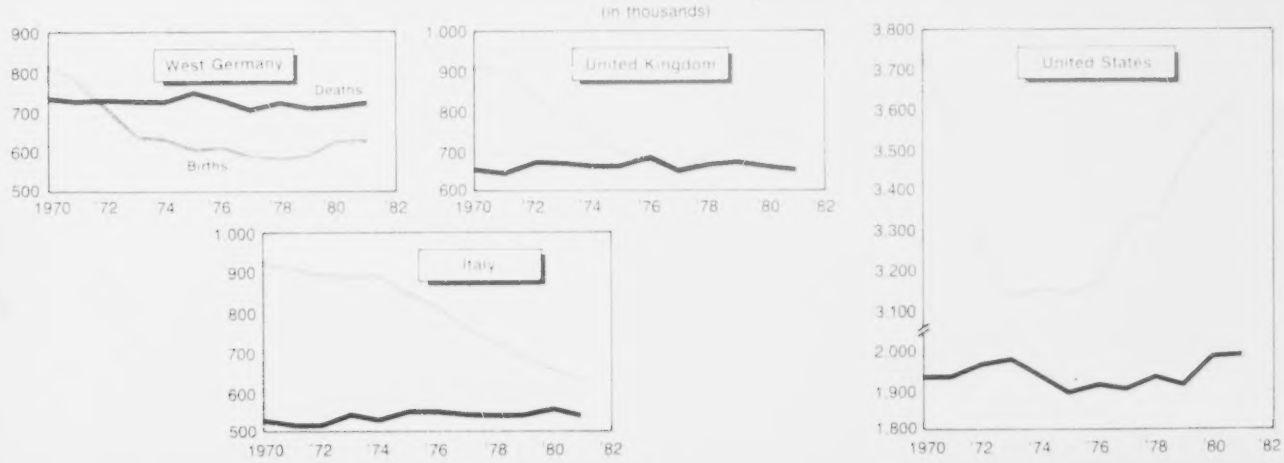


Participation Rates



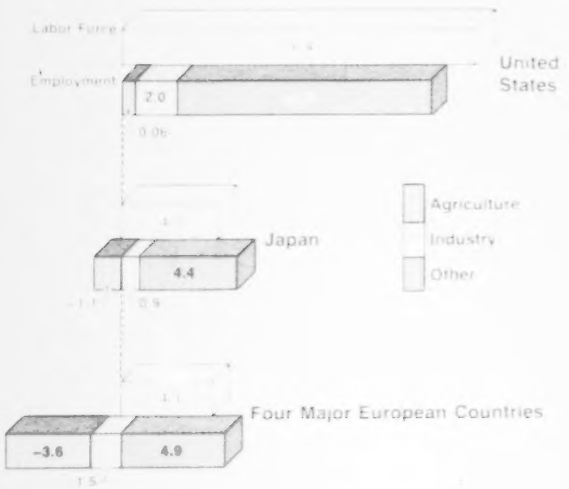
The labor force in the OECD countries grew by about 56 million in the 1970's and early 1980's. At the same time, the number of available jobs shrank, mainly as a result of ailing economies, and employment during the period rose by only 36 million. The U.S. labor force showed the most vigorous growth—some 16½ million between 1975 and 1982; employment grew more slowly, but all sectors gained with the largest increase in the services. Agricultural employment fell by a million in Japan, but gains in other sectors more than compensated for that decline. Europe's major countries (France, Germany, Italy, United Kingdom) experienced a decline in both agricultural and industrial employment. Losses in

Natural Increase of Population

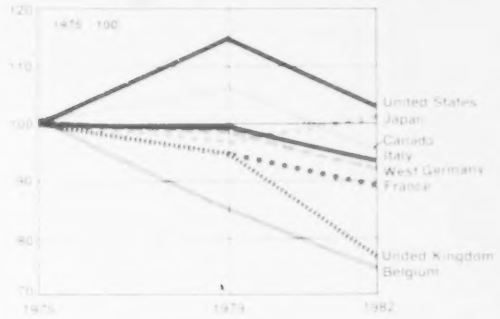


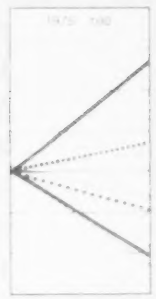
Change in Labor Force and Employment 1975-1982

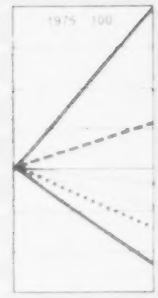
Millions of Persons

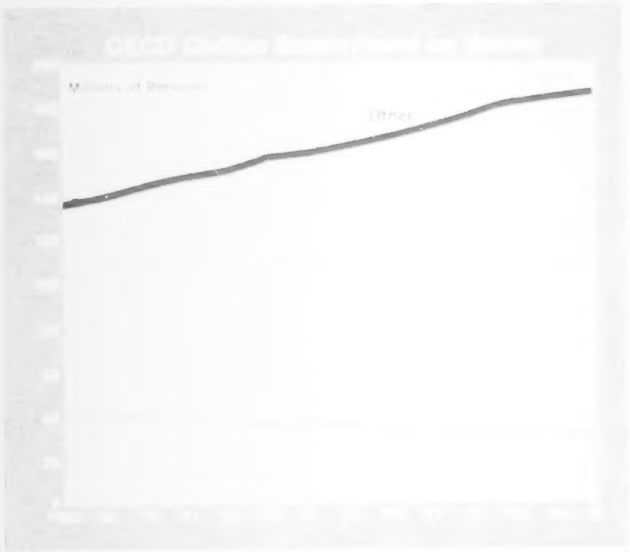


Change in Manufacturing Employment









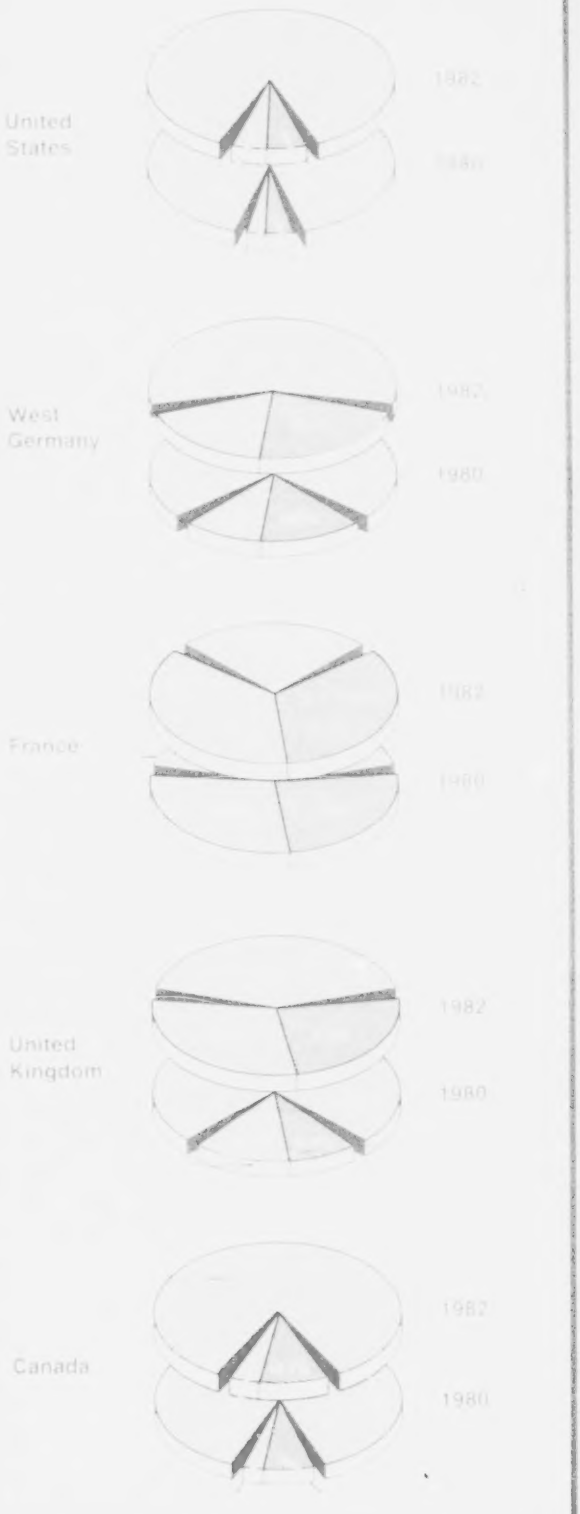
agricultural employment were especially steep in Germany and Italy, amounting to about 23% from 1975 to 1983. In the industrial sector, the hardest hit was the United Kingdom with employment declining by 23 percent. The service industries registered advances in all countries. The labor force is expected to continue increasing in the OECD at a rate of approximately 3½ to 4 million annually, to the end of the decade. As economic recovery continues to pick up, the participation rate—that is, the proportion of the adult population employed or looking for work—should also increase since more people look for jobs when they think their chances of finding work improve. But in the short run the number of jobs is not expected to grow in proportion to the number of job seekers, on the contrary, it will

Percent Change in Employment by Sector

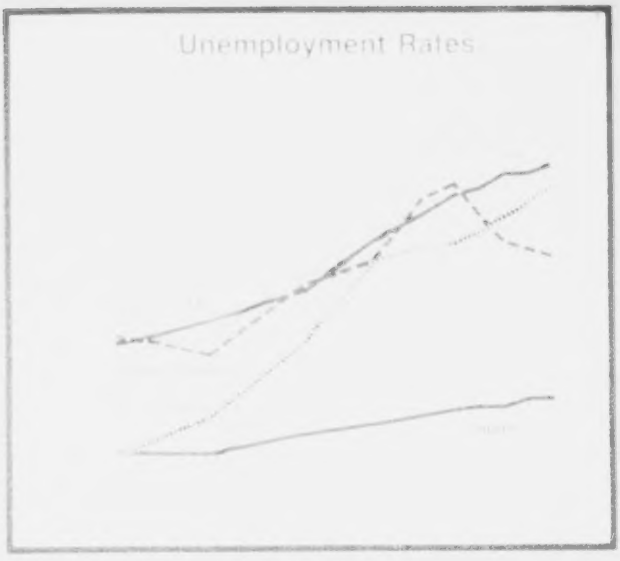
Selected Countries, 1975-1983*

* 1982

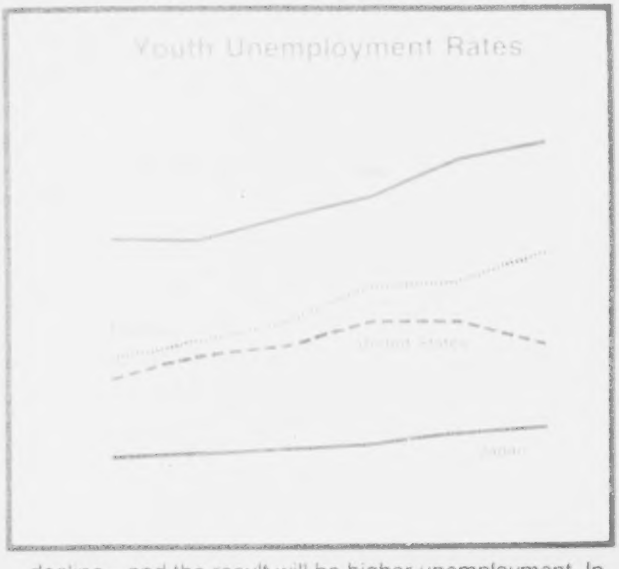
Long Term Unemployment as Percent of Total Unemployment



Unemployment Rates



Youth Unemployment Rates



decline—and the result will be higher unemployment. In the United States, employment is expected to show continued growth.

Another aspect of the pervasive nature of the unemployment situation is the rapid rise in long-term unemployment. While four out of five of those unemployed in the United States found jobs in less than six months in 1982, 17% remained jobless for more than six months. In 1980, only 11% were unemployed for such a length of time. The situation is considerably worse in Europe: Over 60% of the jobless in France have been out of work for more than six months and more than 40% have remained jobless for more than one year. The United Kingdom exprienced the most pronounced acceleration in long-term unemployment—from 34% in 1980 to 54% in 1982.

Eva Culen

Sources: Organization for Economic Co-operation and Development; The Conference Board.

ECONOMIC ROAD MAPS

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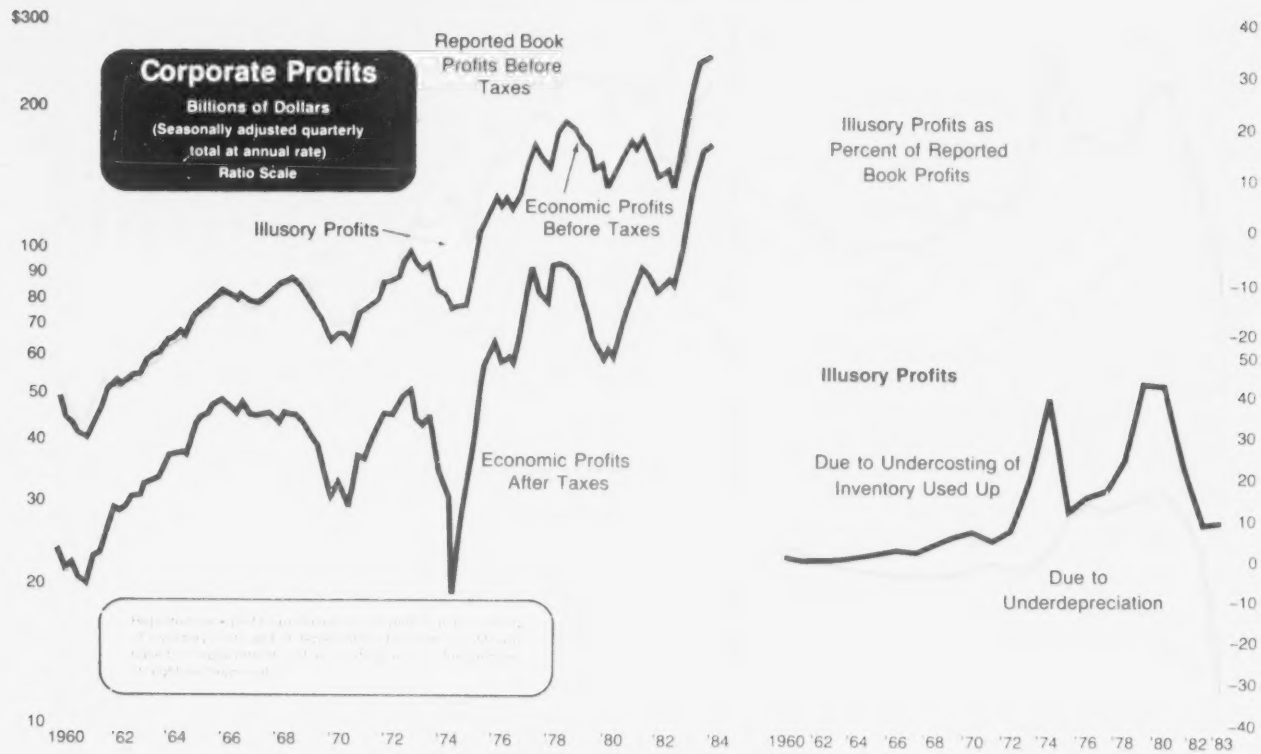
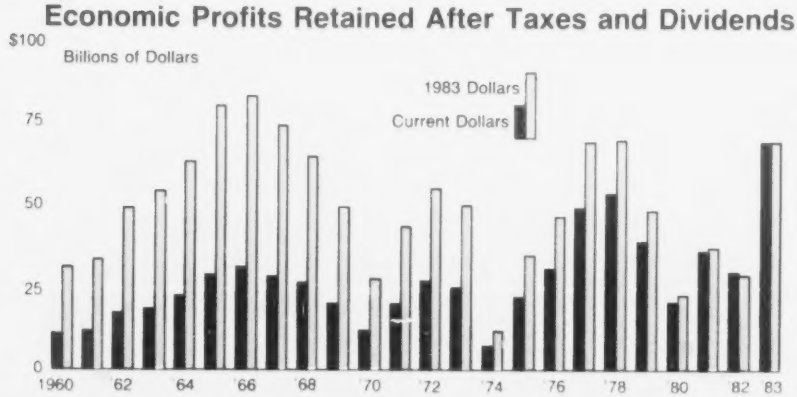
Profit Trends, 1984

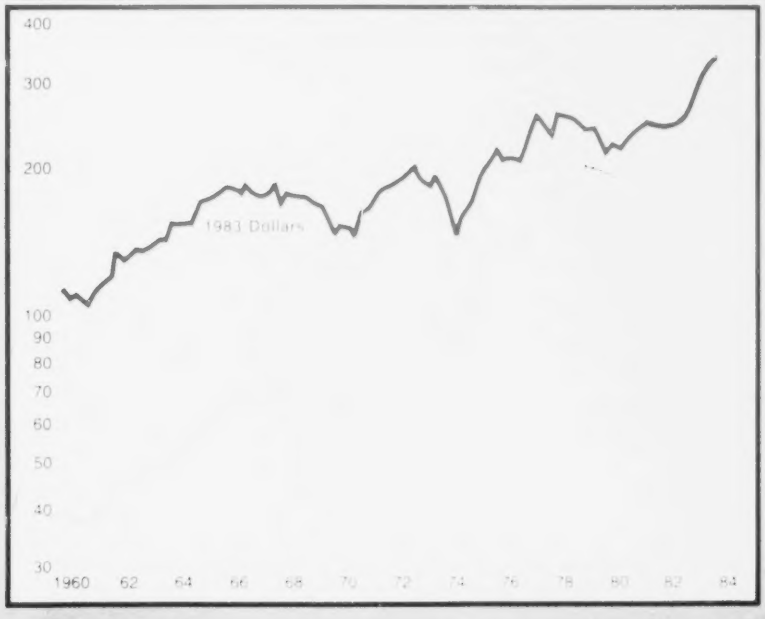


Economic Profits Retained After Taxes and Dividends



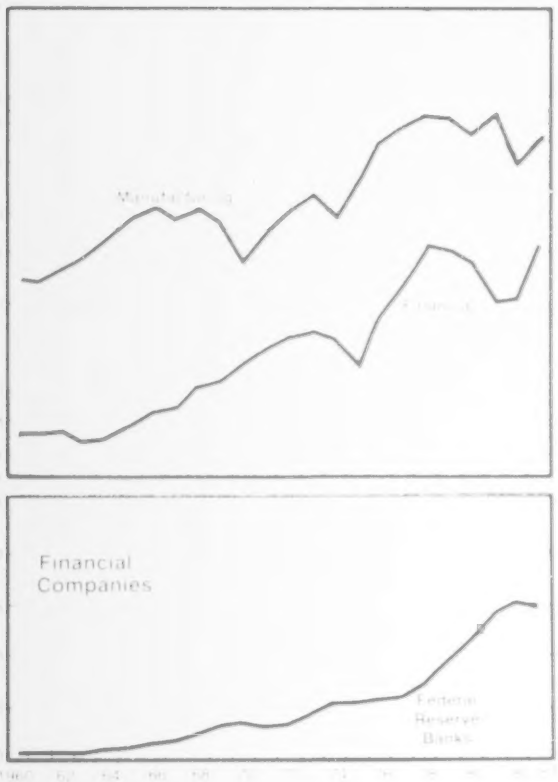
The tax laws largely determine what methods companies use to calculate the amount of depreciation charges they include in their reported costs. The tax changes enacted in 1981 allow faster write-offs for fixed capital investments, resulting in larger depreciation charges and, therefore, lower profits than would otherwise be reported. According to calculations by the Commerce Department's Bureau of Economic Analysis, corporations in the aggregate are now overdepreciating, relative to the Bureau's conservative estimate of "true"

Productivity, Labor Cost and Profitability
Nonfinancial Corporations
1983 = 100
Labor Cost
Per Unit
of Output
Percent Change from Four Quarters Earlier
Labor Cost
Per Hour


400
300
200
1983 Dollars
100
90
80
70
60
50
40
30
1960
62
64
66
68
70
72
74
76
78
80
82
84

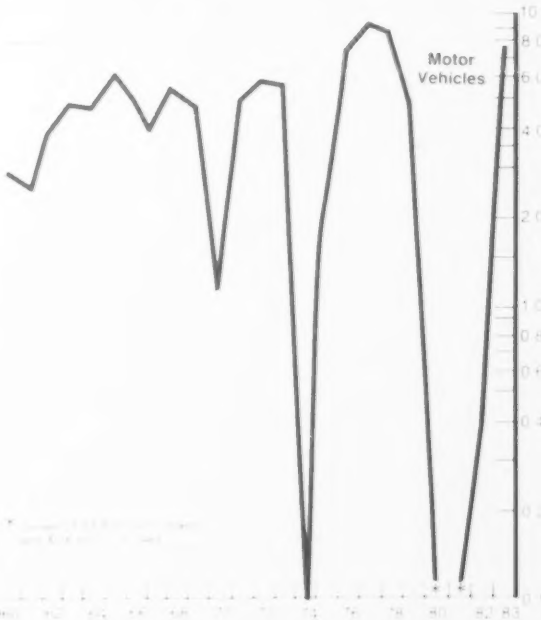
Pretax Profits by Industry

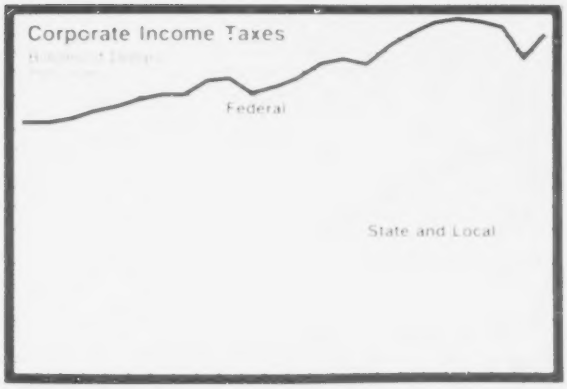
(Billions of Dollars)

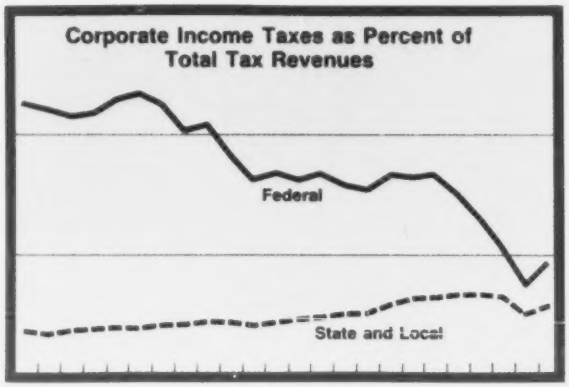


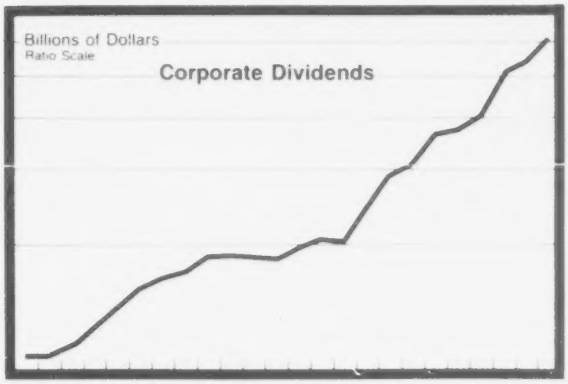
Manufacturing Companies

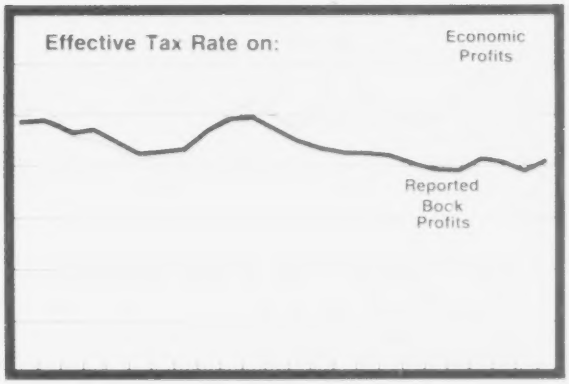
Nonfinancial Nonmanufacturing Companies

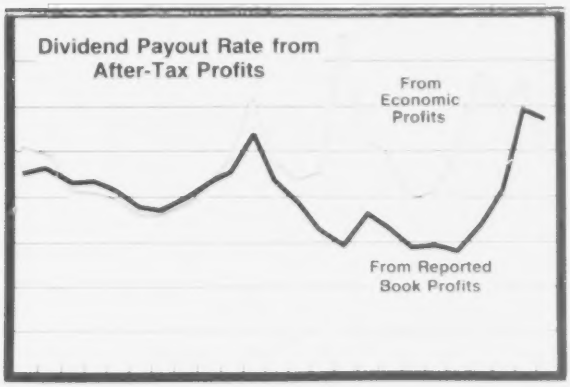












the breakdown of financial company profits are charted on ratio scales to facilitate comparison of the rates of profit increase and decrease in the various industries. Not surprisingly, the profits of durable goods producers are clearly the most sensitive to the business cycle. However, there are big manufacturing industries in the nondurables sector whose profits are not volatile, and the aggregate of manufacturing profits behaves very similarly to the aggregate for nonfinancial, non-manufacturing companies. Financial industry profits include those of the Federal Reserve Banks, which legally are incorporated enterprises. Most of these profits are turned over to the U.S. Treasury. The greater volatility of other financial industry profits in recent years reflects the impact of escalating interest rates, especially on thrift institutions.

Companies are taxed on their reported profits. This has meant, during the past decade or more, a considerably higher effective rate of tax on economic profits than on reported profits. Likewise, the rate of dividend payment from after-tax economic profits has been considerably higher than the payout rate as conventionally calculated. In 1983, however, with economic profits exceeding reported profits, the situation was reversed. The effective tax rate on economic profits last year was 37.0% and dividend payouts took 47.2% of after-tax economic profits.

Lyra S. Collins

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The Conference Board

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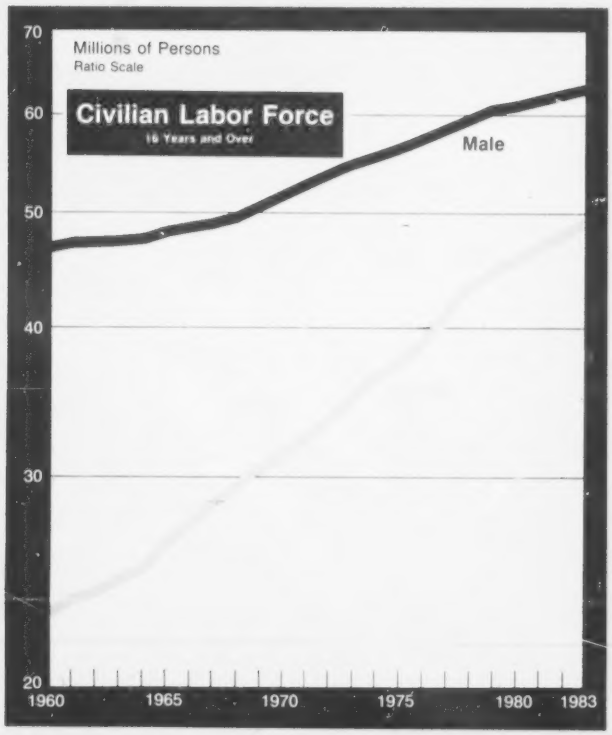
The Conference Board

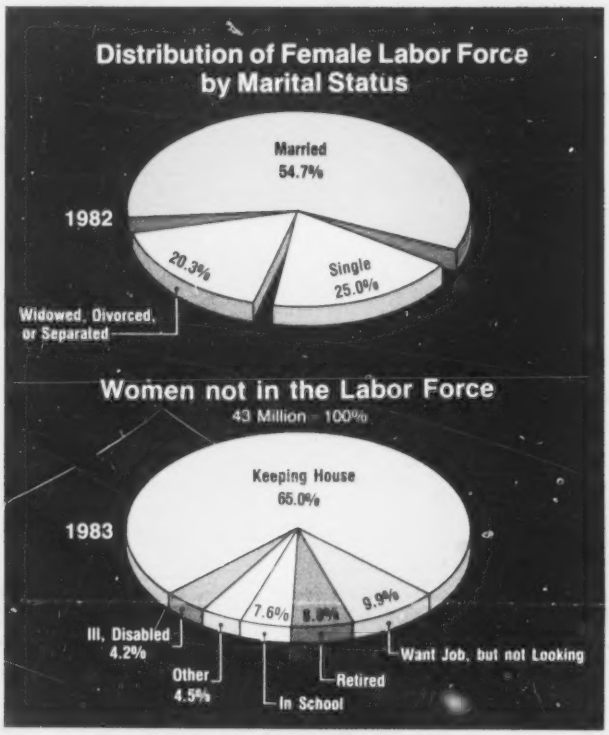
Women: A Progress Report

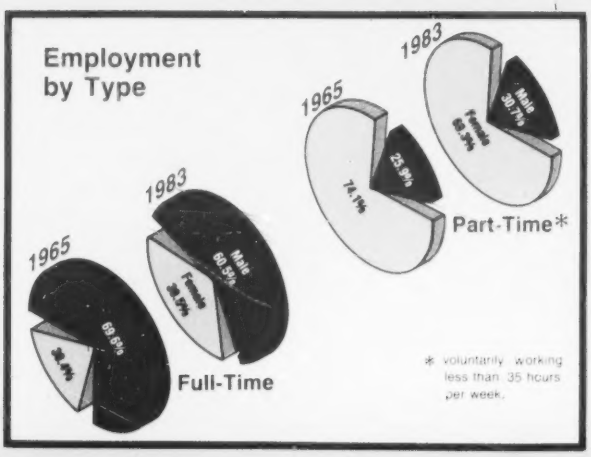
Economic Road Maps
Nos. 1976-1977

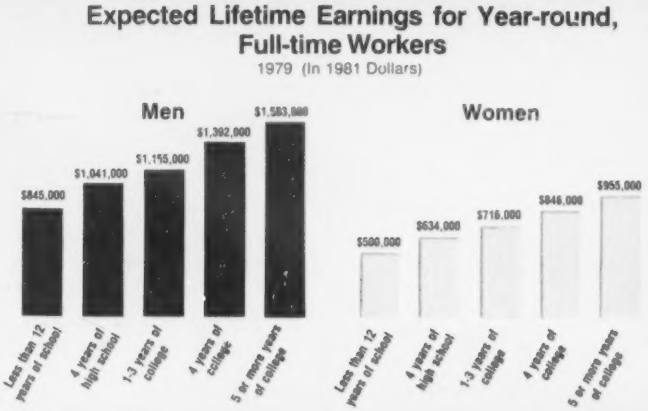
July, 1984

One of the most significant developments of the post-World War II era has been the change in the role of women in society, a development that has left a mark on all levels of social, economic and political activity. A major aspect of change has been the huge inflow of women into the U.S. labor force, a phenomenon which continues unabated. Economic activity outside the home, accompanied by a degree of financial independence, is reshaping women's attitudes toward society and, by raising expectations and offering options, leading to further changes.

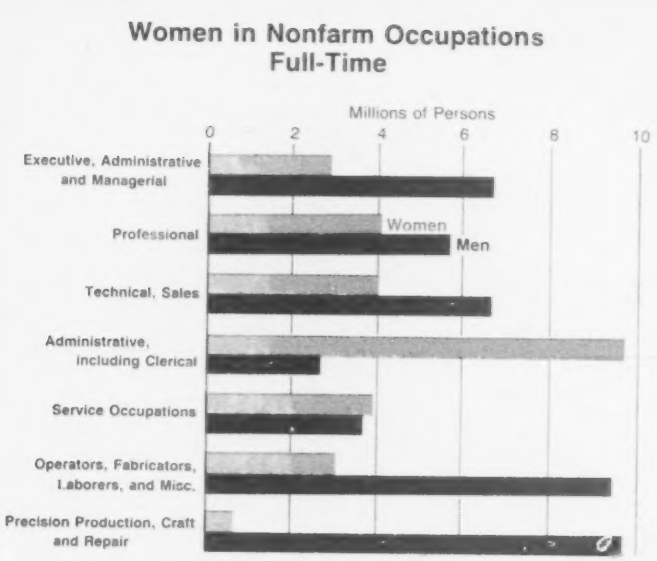


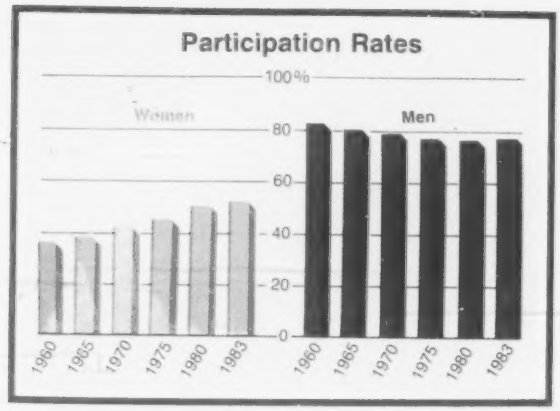






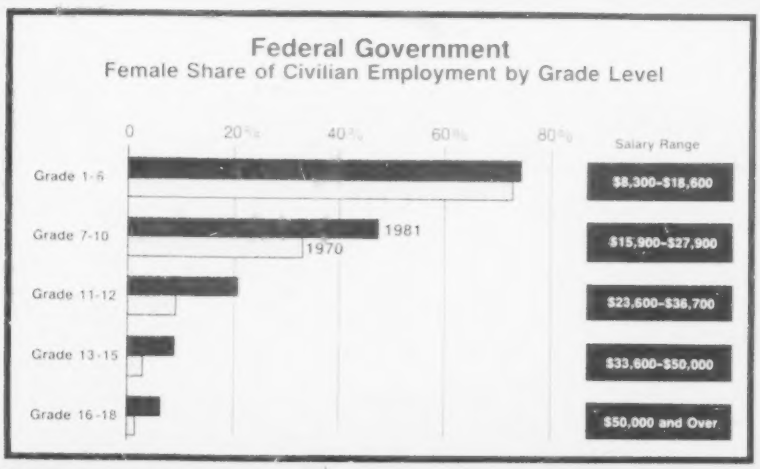
Note: Earnings are from age 18 through age 64.

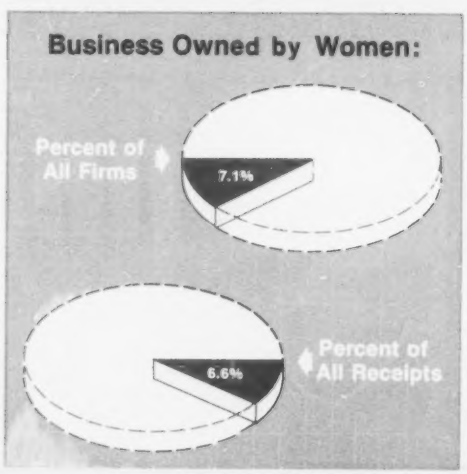




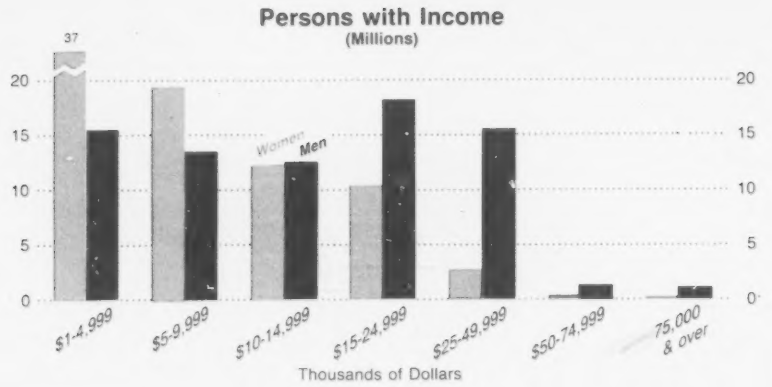
Not only are more women in the labor force today than in the past, they tend to be different from the women of a few decades ago in many respects. For one, they marry later, have fewer children, divorce in greater numbers but also remarry more often, are better educated, and maintain separate households much more often than in the past. The number of women in the civilian labor force more than doubled between 1960 and 1983, from 23 million to 48.5 million; during the same period, the number of men went up 36% from 46 to 63 million. While the male labor-force participation rate is higher than that of women, the men's rate has been declining over time (from 83% to 76% since 1960) while the women's has risen from 38% in 1960 to 53% in 1983. Women with children between the ages of 6-17 have the highest participation rate, but the fastest rise in the rate during the 1970's and 1980's occurred among women with children under the age of six. Three-quarters of all women in the labor force are, or have been, married; of those not in the labor force, a majority are women with household responsibilities. Women still account for a large, albeit declining, share of part-time employment, but they also account for 40% of all full-time workers.

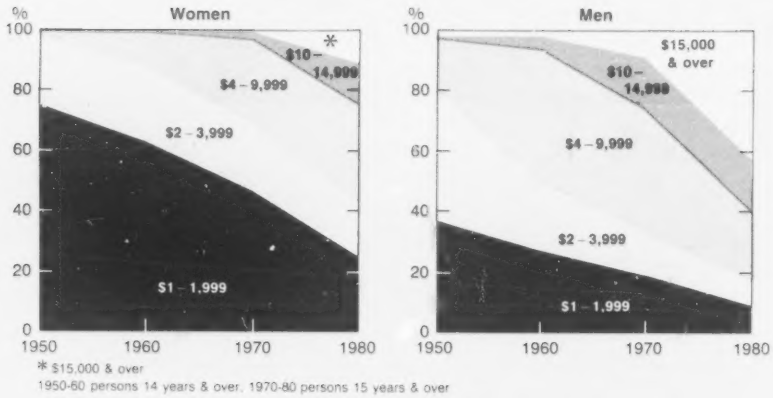
Women have attained a parity of sorts in education. As many women as men are enrolled in and graduated (with the exception of doctoral degrees) from the nation's colleges and universities these days. But their academic work is still highly concentrated in fields such as education, humanities and health sciences. They lag in physical sciences, engineering and graduate training. Women have increased their share of professional degrees, but they still lag considerably behind men. The number of women receiving medical degrees went from 387 in 1960 to 3,833 in 1981 (25% of that year's total), while women law graduates in 1981 numbered almost 12,000, up from 230 some twenty years earlier. Employed women are still concentrated in relatively few occupations: More than half are in clerical and service jobs. They are also overrepresented in low-paying jobs. In civil service, for example, women account for over 70% of the Federal Government's white-collar employees at the lowest





*Full-time, white collar





grade levels, but their proportion declines sharply thereafter, and only slightly over 6% of employees at the most senior level are women.

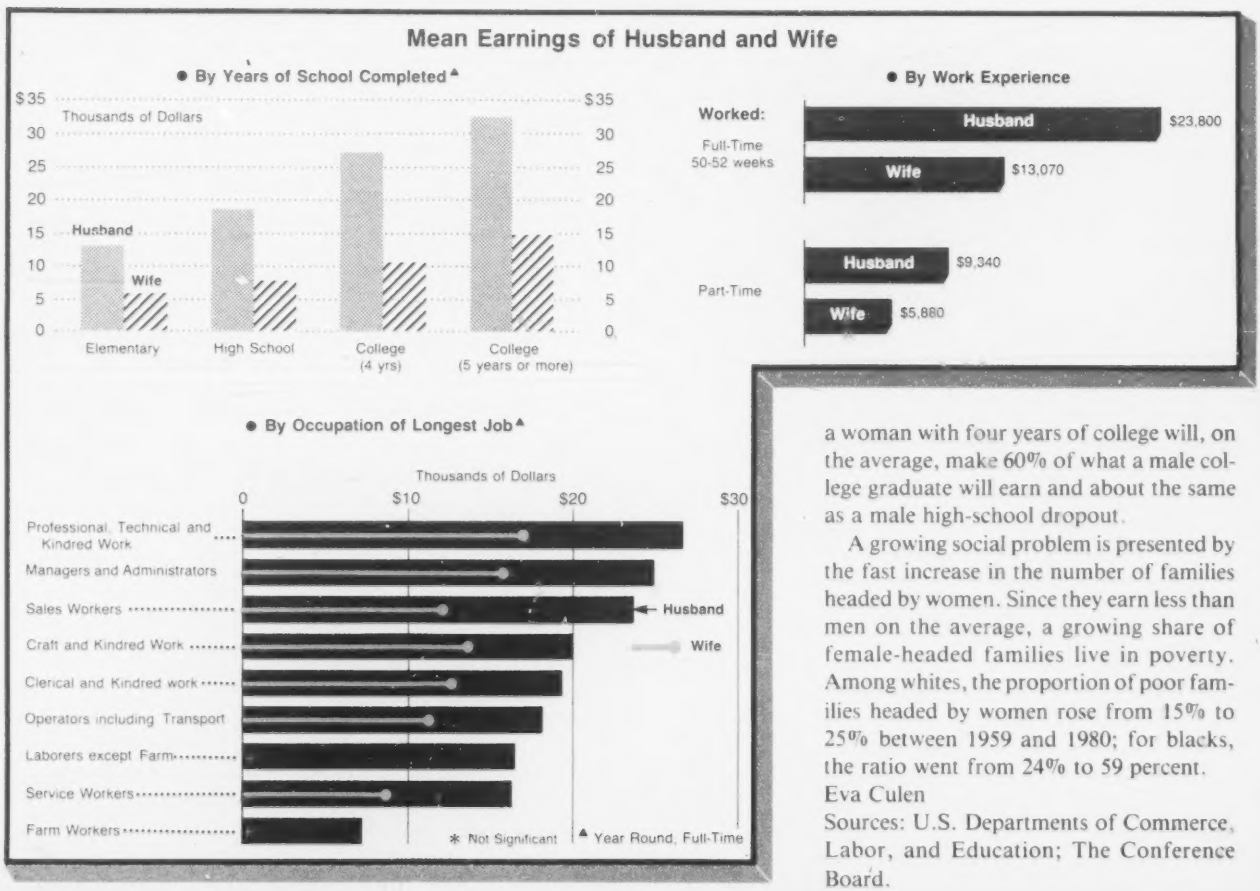
Women have also fared poorly in elective offices, especially at the federal level. The number of women in Congress has not changed significantly over the years, and remains minimal today. At the state and local level, however, their numbers have been expanding; the number of women mayors rose from 566 in 1975 to 1,680 in 1981.

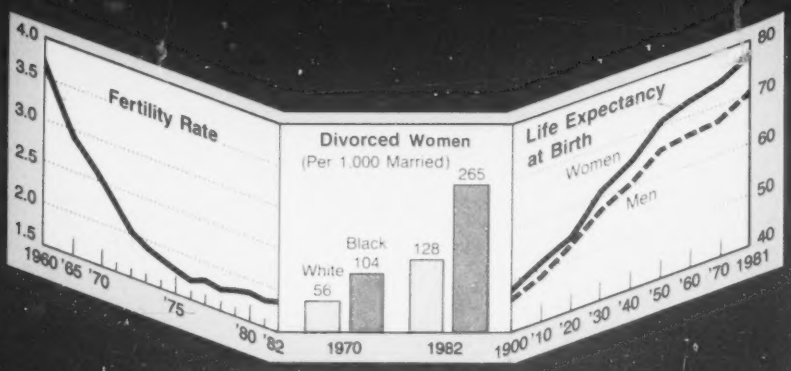
Women's gains in employment have not translated into wages and salaries comparable to those of men. This in spite of the fact that more and more women are working full time, and that the educational gap between men and women has all but disappeared. Measured by any yardstick, be it educational level, length of work, or occupational groupings, women are consistently paid less than men. Men's earnings are consistently higher even in such traditionally female occupations as clerical work. Women's earnings continue to average about 60% of men's, a ratio that has hardly changed since the 1960's. Lifetime expected earnings for women (working year round, full-time) are about 60% of those of men, irrespective of educational attainment. Thus, a woman with four years of college will, on the average, make 60% of what a male college graduate will earn and about the same as a male high-school dropout.

A growing social problem is presented by the fast increase in the number of families headed by women. Since they earn less than men on the average, a growing share of female-headed families live in poverty. Among whites, the proportion of poor families headed by women rose from 15% to 25% between 1959 and 1980; for blacks, the ratio went from 24% to 59 percent.

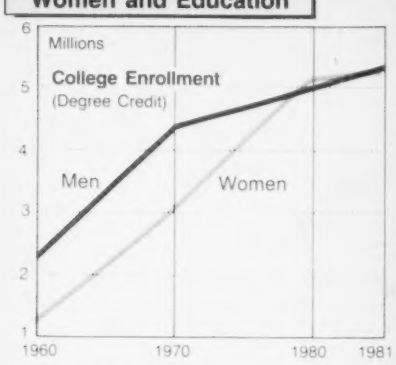
Eva Culen

Sources: U.S. Departments of Commerce, Labor, and Education; The Conference Board.



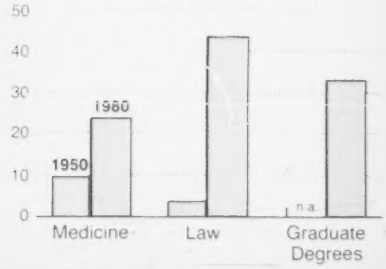


Women and Education



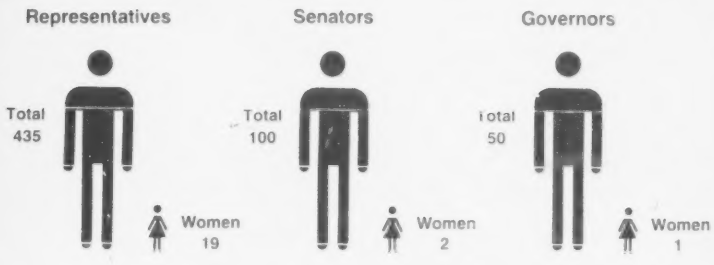
Professional and Graduate Degrees Conferred

(Women as Percent of Total)

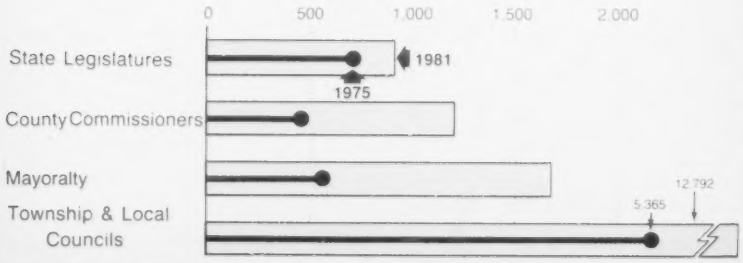


Women in Public Office

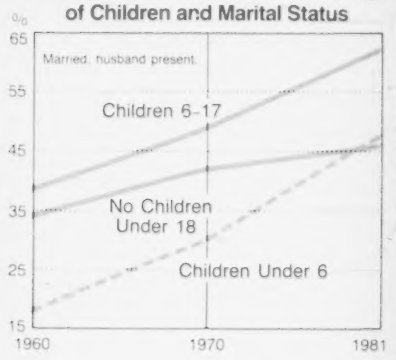
1981

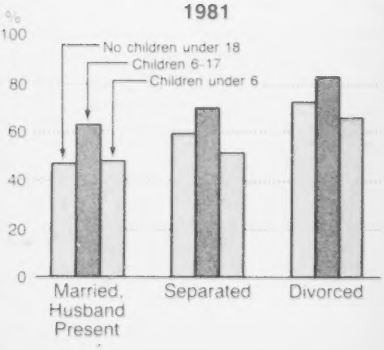


State and Local Offices



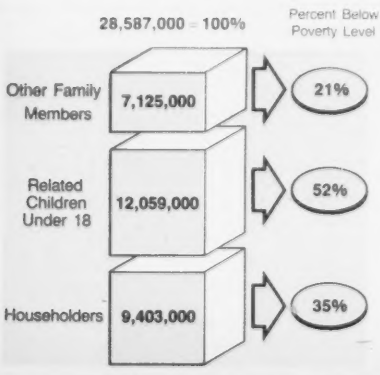
Participation Rates of Women by Age of Children and Marital Status



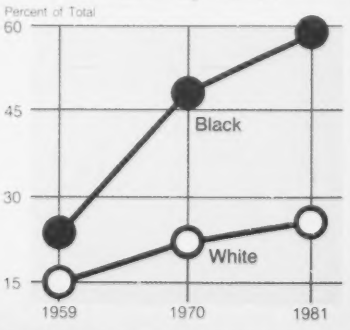


Women and Poverty

Persons in Families with Female Householder, no Husband Present



Families under Poverty Level Headed by Women



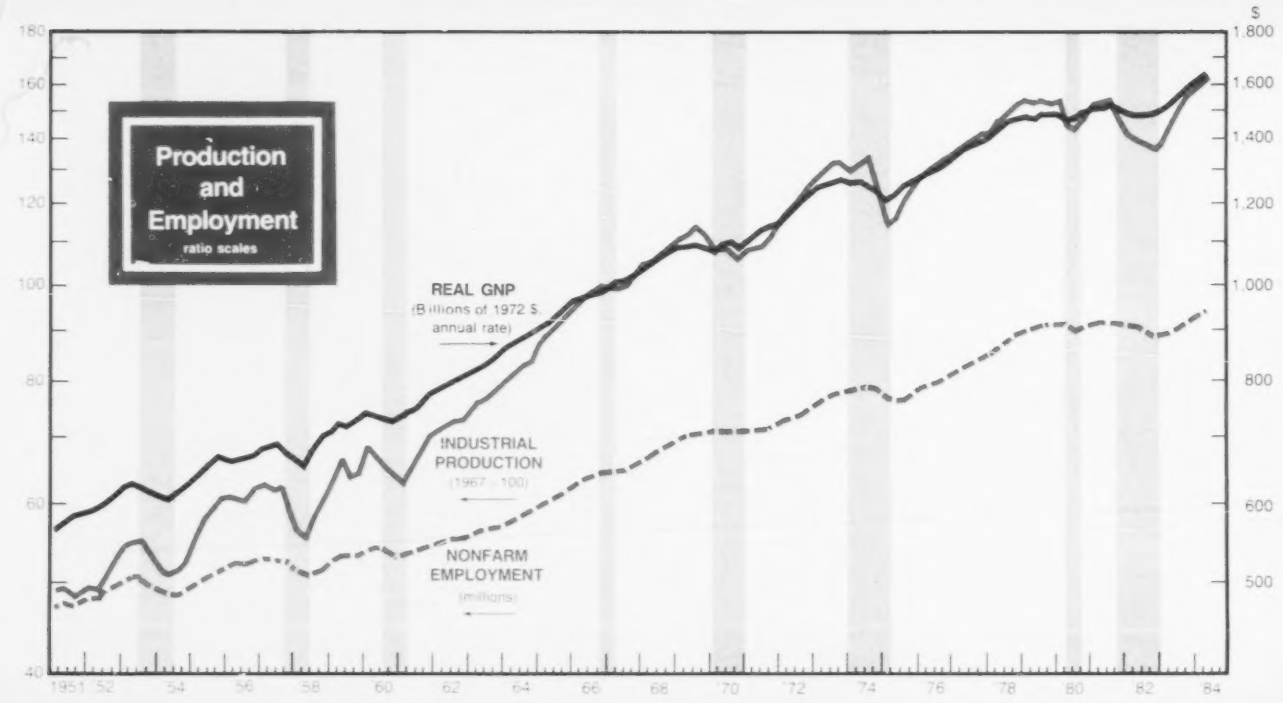
The Conference Board

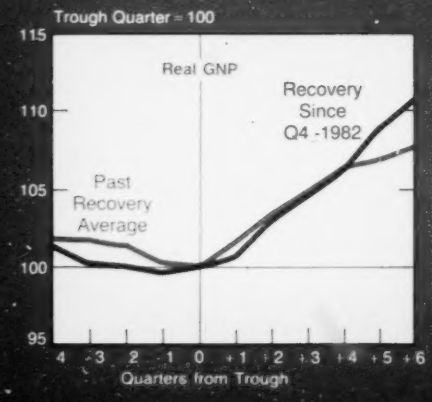
Perspective on the Economic Expansion

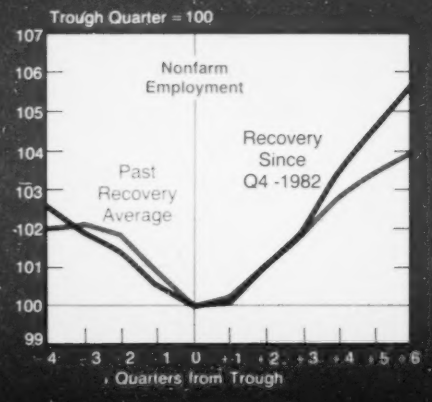
Economic Road Maps
Nos. 1978-1979

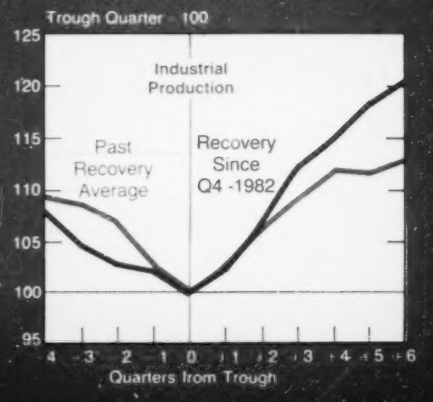
August, 1984

The last recession touched bottom in November 1982. The first year of the ensuing recovery traced a path very similar to the average of past recoveries, but in the following six months—comprising the first half of 1984—the current recovery was distinctly stronger than the past average. Although some economic measures had still not regained their pre-recession peak levels as of mid-1984, this was generally the case only for measures that had taken especially deep plunges in the recession. The inflation rate hit its low after the low in overall economic activity. It has since moved up but remains far below the pace in 1980-1981.

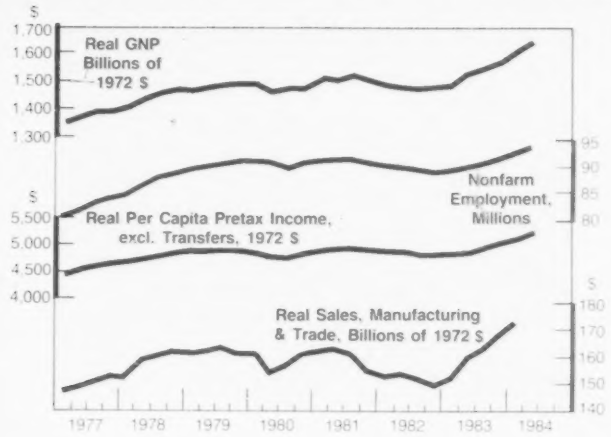


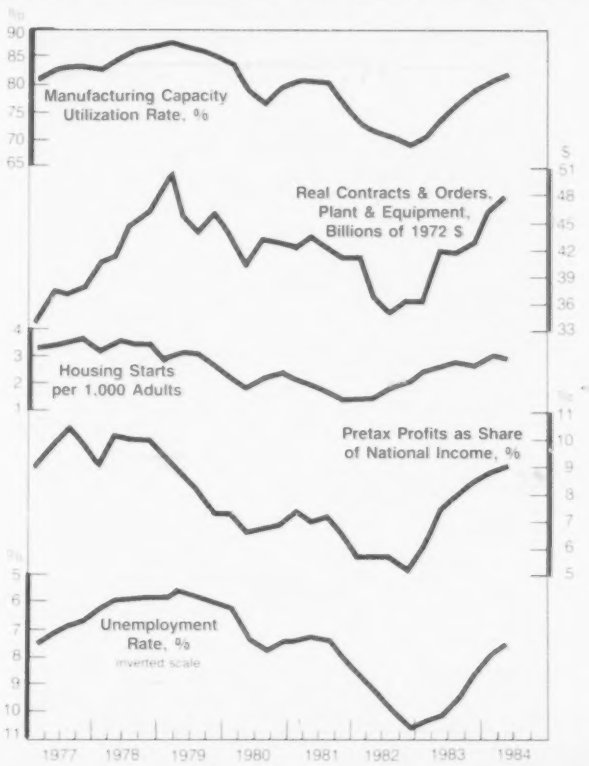






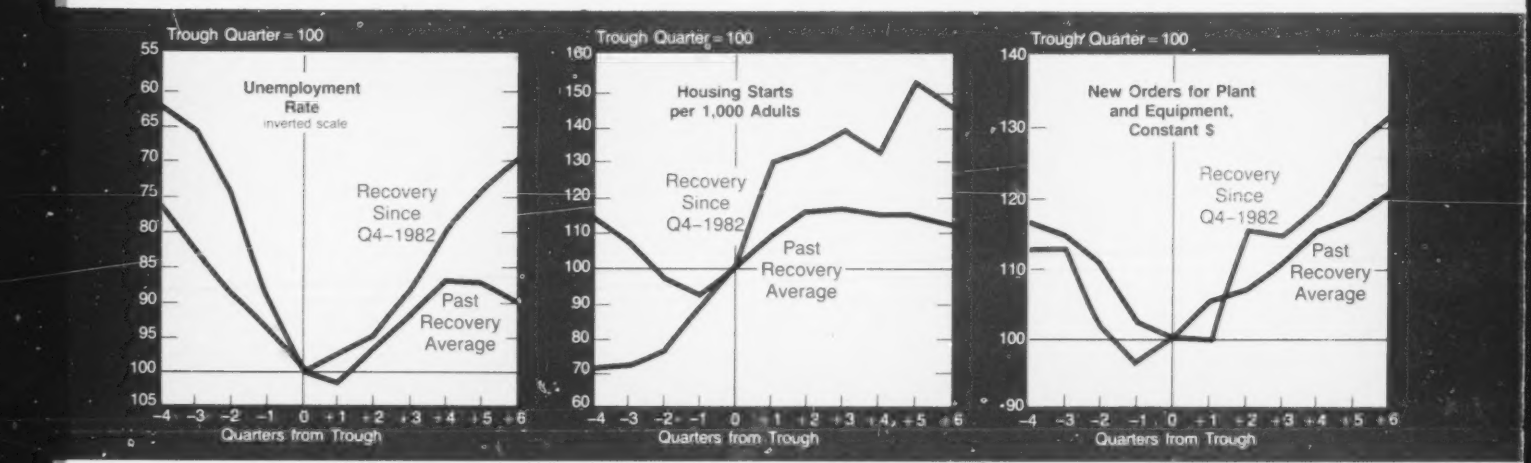
Broad production and income measures have reached new highs, but many others remain below pre-recession peaks.



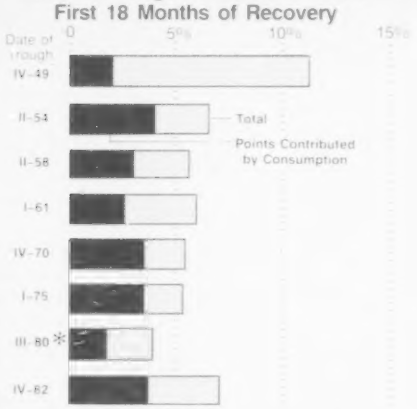


The past recovery averages charted in this Road Map are averages of the six recoveries beginning with the one that got underway in mid-1954. The charts showing long spans of data are shaded to indicate the six associated recessions as well as the so-called "mini-recession" of 1966-1967.

The four series charted above left are broad measures of economic activity which are usually able to regain pre-recession peaks quickly, once a slump is over. The series charted above right are ones which tend to be thrown for greater losses and to take longer to recover.



Percent Change in Real GNP in the First 18 Months of Recovery



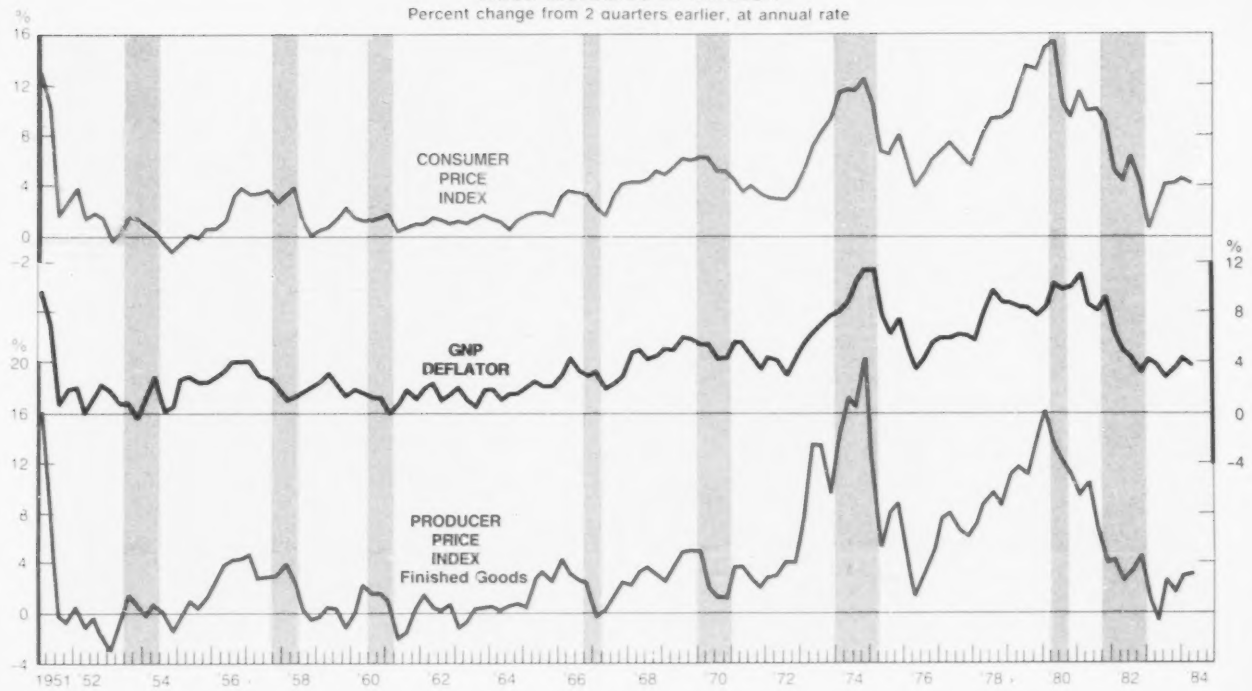
*Calculation is to latest peak, which occurred one year after trough.

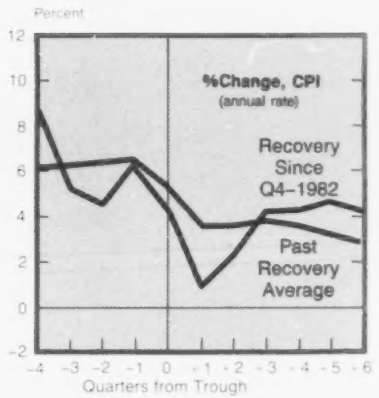
Employment Diffusion

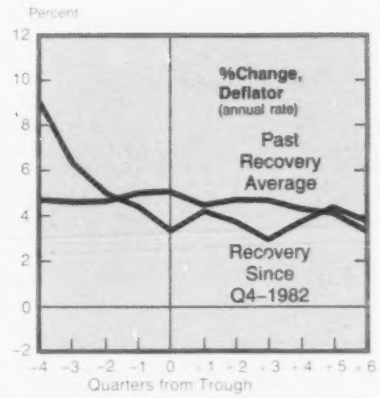
Percent of Industries with Employment up from 6 Months Earlier

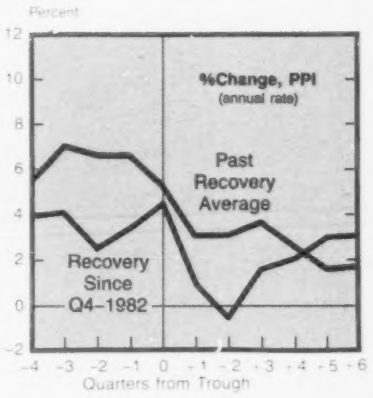
Three Measures of Inflation

Percent change from 2 quarters earlier, at annual rate

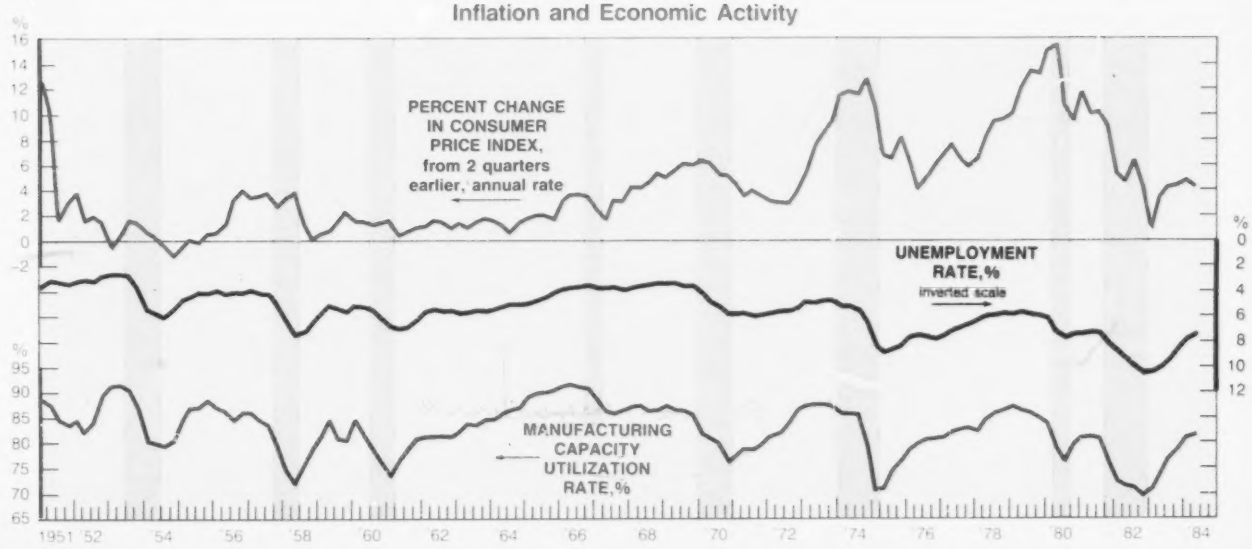


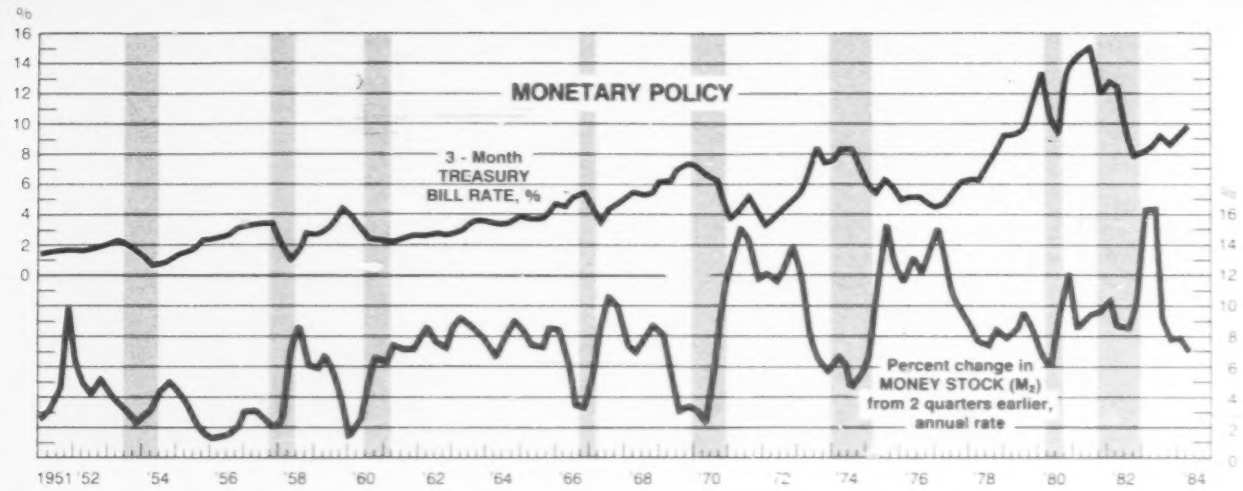




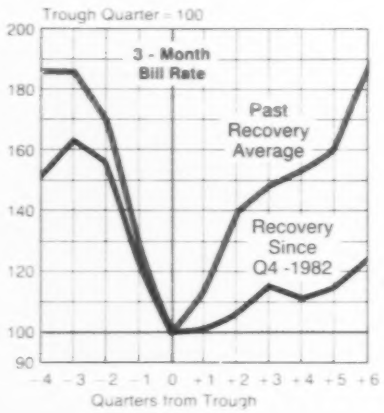


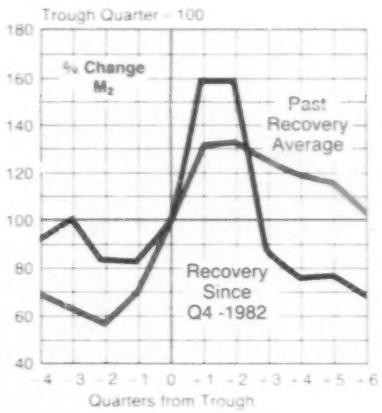
Inflation and Economic Activity

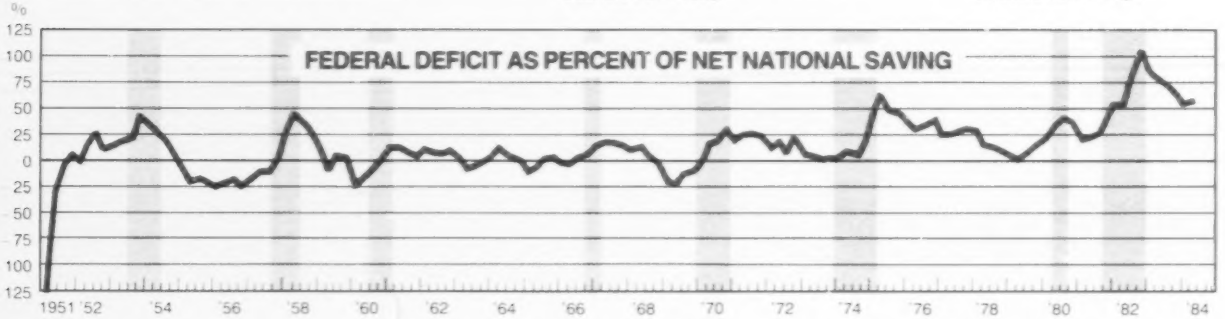

%
PERCENT CHANGE IN CONSUMER PRICE INDEX, from 2 quarters earlier, annual rate
UNEMPLOYMENT RATE,% inverted scale
MANUFACTURING CAPACITY UTILIZATION RATE,%
1951 '52 54 56 58 60 62 64 66 68 70 72 74 76 78 80 82 84


%
MONETARY POLICY
3 - Month
TREASURY
BILL RATE, %
Percent change in
MONEY STOCK (M_2)
from 2 quarters earlier,
annual rate
1951 '52 '54 '56 '58 '60 '62 '64 '66 '68 '70 '72 '74 '76 '78 '80 '82 '84

Inflation is a monetary phenomenon in the sense that inflation cannot persist unless there is enough growth in total dollar purchasing power to keep it going. In the short run, sometimes, a spurt in the growth of the money stock will boost economic activity rather than the price level, but over longer spans the relationship of money growth rates to inflation is close. The growth rate of the money stock shown here, M2, accelerated early in the recovery, in line with the past pattern, but then slowed

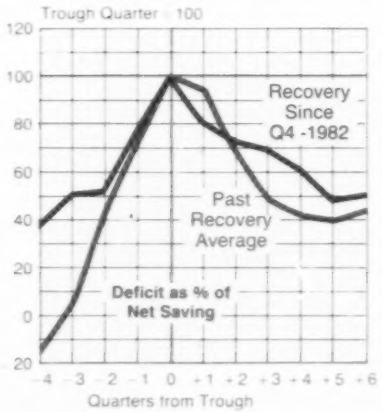






just as sharply. Interest rates have not risen as much as in the past average pattern, but rates are very high in absolute terms. It is widely believed that one reason for this is the federal deficit's large claim on the nation's total flow of saving. Although the deficit as a percent of net national saving has declined in line with the past recovery pattern, the absolute level of this figure (50% in the second quarter) is very high by historical standards.

Lora S. Collins



Sources: Bureau of Economic Analysis; Bureau of Labor Statistics; Federal Reserve Board; The Conference Board.

ECONOMIC ROAD MAPS

Eva Culen, Editor Chuck N. Tow, Chief Chartist

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director
Prices for Quantities of this chart will be supplied on request to Information Service.

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